



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

FROM: Jess Benson

DATE: January 6, 2020

Medicaid Forecast December 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 December 20, 2019, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2020 and FY 2021. The Forecasting Group meets periodically to discuss revenues and expenditures and agree on estimates for the current and upcoming fiscal years.

	Actual FY 2019	Estimated FY 2020	Estimated FY 2021
Medicaid Funding			
Carryforward from Previous Year	\$ 36,170,463	\$ 87,888,114	\$ 0
Palo Replacement Generation Tax	1,408,668	1,204,161	602,081
Health Care Trust Fund	202,680,114	204,545,241	203,940,000
Nursing Facility Quality Assurance Fund	34,138,988	57,735,513	58,570,397
Hospital Trust Fund	33,920,554	33,920,554	33,920,554
Medicaid Fraud Fund	612,518	150,000	150,000
Transfer Decategorization Reversion	2,932,149	500,000	0
CFS Foster Care Transfer	5,000,000	0	0
Total Non-General Fund Sources	\$ 316,863,454	\$ 385,943,583	\$ 297,183,032
General Fund Appropriation	1,337,646,375	1,427,381,675	1,427,381,675
General Fund Supplemental	150,300,000	0	0
Total General Fund Sources	\$ 1,487,946,375	\$ 1,427,381,675	\$ 1,427,381,675
Total Medicaid Funding	\$ 1,804,809,829	\$ 1,813,325,258	\$ 1,724,564,707
Estimated State Medicaid Need	\$ 1,572,484,966	\$ 1,829,593,859	\$ 1,885,336,960
FMAP Changes	-58,940,360	-53,120,556	-32,412,311
Health and Wellness Program Expenditures	7,200,000	16,900,000	13,454,459
Adjustment due to Gov. Line Item Veto	-195,000	-195,000	0
MCO Capitation Increase	109,907,245	67,834,927	0
Risk Corridor Payments	21,817,026	0	0
Habilitation Risk Pool Adjustment	40,425,283	0	0
MCO Incentives	9,600,000	0	0
CY 2018 Health Insurer Fee Payment	14,622,555	0	0
Lawfully Admitted Pregnant Woman	0	190,397	0
Increased Reimbursement ACT	0	211,332	0
Increased Reimbursement Critical Access Hospital	0	1,500,000	0
Adult Mental Health Core Services	0	0	2,414,429
Children's Mental Health Core Services	0	423,110	471,170
Increased Reimbursement for Tiered Rates	0	1,000,000	0
Nursing Facility Increase Due To Assessment	0	13,385,247	0
Nursing Facility Increase Due To Rebase	0	23,401,942	0
CMH Waiver Wait List Reduction	0	1,200,000	0
Total Estimated Medicaid Need	\$ 1,716,921,715	\$ 1,902,325,258	\$ 1,869,264,707
Balance (Underfunded if Negative)	\$ 87,888,114	\$ -89,000,000	\$ -144,700,000
MCO – Managed Care Organization	CFS – Child and Family Services		
CMH – Children's Mental Health	ACT – Assertive Community Treatment		
FMAP – Federal Medical Assistance Percentage			

Fiscal Year 2019

Medicaid ended FY 2019 with a \$87.9 million surplus. Of that, \$81.4 million was due to funds set aside for the final capitation payment for UnitedHealthcare, and the remaining \$6.5 million was for payments related to the FY 2018 and FY 2019 pharmacy carve-out, both of which will be paid in FY 2020.

Fiscal Year 2020 Estimate

For FY 2020, the Forecasting Group estimates Medicaid will need \$89.0 million above what was appropriated in [HF 766](#) (FY 2020 Health and Human Services Appropriations Act). The following factors are cited:

- \$67.0 million for FY 2020 Managed Care Organization (MCO) capitation rate increases.
- \$4.0 million due to lower revenues to the Health Care Trust Fund.
- \$4.4 million due to lower drug rebates and other cost recoveries.
- \$12.8 million due to other miscellaneous costs related to enrollment and other revenue and expenditure changes.

Fiscal Year 2021 Estimate

For FY 2021, the Forecasting Group estimates Medicaid will need \$144.7 million. This does not include an increase in capitation payments to the MCOs for FY 2021, but does include the following:

- An increase of \$89.0 million to replace the unfunded need from FY 2020.
- An increase of \$900,000 due to lower revenue from the Health Care Trust Fund, Palo Replacement Generation Tax revenue, and decategorization revenue.
- An increase of \$35.5 million for MCO and fee-for-service enrollment increases and other revenue and expenditure changes.
- An increase of \$26.4 million due to the reinstatement of the federal Health Insurer Fee.
- An increase of \$15.6 million for Medicare Part A and B premium payments and the Medicare Part D clawback payment.
- A decrease of \$6.6 million due to an increase in drug rebates and other recoveries.
- An increase of \$3.0 million for increased funding related to adult and children’s mental health programs.
- A net decrease of \$19.0 million to reflect the increase in the regular Federal Medical Assistance Percentage (FMAP) rate. The impact from the FMAP rate increase is offset by a decrease from 91.5% to 90.0% in the Iowa Health and Wellness Plan FMAP rate.
- This request does not reflect any increase in MCO capitation rates for FY 2021.

Medicaid Enrollment. In FY 2018, Medicaid grew by 1,172 individuals (0.3%) for a total Program enrollment of 425,433 individuals. In FY 2019, the Program grew by 4,145 individuals (1.0%). In the first five months of FY 2020, enrollment is down 4,843 individuals (1.1%).

Table 2

Changes in Medicaid Enrollment – FY 2020					
<u>FY 2020</u>	<u>Children</u>	<u>Adults</u>	<u>Aged</u>	<u>Disabled</u>	<u>Total</u>
July	124	-291	120	-85	-132
August	-831	-356	100	61	-1,026
September	205	-101	211	296	611
October	-1,203	-880	-2	-132	-2,217
November	-866	-814	-174	-225	-2,079
Total FY 2020	<u>-2,571</u>	<u>-2,442</u>	<u>255</u>	<u>-85</u>	<u>-4,843</u>
Grand Total	<u>244,764</u>	<u>68,169</u>	<u>33,006</u>	<u>78,796</u>	<u>424,735</u>

Iowa Health and Wellness Plan (I-HAWP) Enrollment. In FY 2018, enrollment surged with an increase of 14,719 individuals (9.8%) for a total enrollment of 165,509. In FY 2019, the Program grew by 6,671 individuals (4.0%). In the first five months of FY 2020, enrollment has increased by 3,068 individuals (1.8%). Individuals enrolled in both the Iowa Health and 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 November 2019, there were 22,810 medically exempt individuals.

Table 3

Changes in I-HAWP Enrollment – FY 2020					
FY 2020	Wellness Plan	Marketplace Choice Plan	Presumptive Eligible	Total	Medically Exempt
July	492	-143	153	502	70
August	575	-306	111	380	199
September	765	-54	133	844	68
October	285	-180	18	123	335
November	1,140	108	-29	1,219	410
Total FY 2020	3,257	-575	386	3,068	1,082
Grand Total	144,186	30,301	761	175,248	22,810

FY 2021 FMAP. The federal Bureau of Economic Analysis released final state personal per capita income data for 2018 on September 24, 2019. This allows states to calculate the final FY 2021 FMAP rates. The FY 2021 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 2021 FMAP rate increased by 0.73% to 61.61%. This means for every dollar spent on the Medicaid program, the federal government will pay \$0.6161 and Iowa pays \$0.3839. The FMAP change is 0.50% less 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 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 4

Five-Year State Regular Medicaid FMAP Rate

Federal Fiscal Year	Federal Share	State Share	Federal % Change
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%
2021	61.61%	38.39%	0.73%

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Doc ID 1126005