



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

FROM: Jess Benson

DATE: May 27, 2020

Medicaid Forecast May 2020

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 May 22, 2020, 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.

Table 1

Medicaid Balance Sheet			
	Actual FY2019	Estimated FY 2020	Estimated FY 2021
Medicaid Funding			
Carryforward from Previous Year	\$ 36,170,463	\$ 87,888,114	\$ 120,613,153
Palo Replacement Generation Tax	1,408,668	1,204,161	602,080
Health Care Trust Fund	202,680,114	197,755,241	182,830,000
Nursing Facility Quality Assurance Fund	34,138,988	54,100,000	56,305,139
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	907,404	0
CFS Foster Care Transfer	5,000,000	0	0
Total Non-General Fund Sources	\$ 316,863,454	\$ 375,925,474	\$ 394,420,926
General Fund Appropriation	1,337,646,375	1,427,381,675	1,427,381,675
General Fund Supplemental	150,300,000	88,982,734	0
Total General Fund Sources	\$ 1,487,946,375	\$ 1,516,364,409	\$ 1,427,381,675
Total Medicaid Funding	\$ 1,804,809,829	\$ 1,892,289,883	\$ 1,821,802,601
Estimated State Medicaid Need	\$ 1,572,484,966	\$ 1,823,945,331	\$ 1,932,562,873
FMAP Changes	-58,940,360	-53,120,556	-32,412,311
6.2% FMAP Adjustment — COVID-19	0	-125,000,000	-62,500,000
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
CY2018 Health Insurer Fee Payment	14,622,555	0	0
FY 2020 Appropriations Act Changes	0	27,926,781	0
Nursing Facility Rebase	0	13,385,247	0
Adult and Children MH Funding	0	0	2,914,448
Total Estimated Medicaid Need	\$ 1,716,921,715	\$ 1,771,676,730	\$ 1,854,019,469
Balance (Underfunded If Negative)	\$ 87,888,114	\$ 120,613,153	\$ -32,216,868
MCO – Managed Care Organization		CFS – Child and Family Services	
FMAP – Federal Medical Assistance Percentage		MH – Mental Health	

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 have a surplus of \$120.6 million above what was appropriated in [HF 766](#) (FY 2020 Health and Human Services Appropriations Act) and the \$89.0 million provided in [SF 2408](#) (FY 2020 Supplemental and Continuing Appropriations Act). The increase is mainly due to the 6.2% Federal Medical Assistance Percentage (FMAP) increase provided by the federal [COVID-19 economic stimulus package](#). The increase provides approximately \$62.5 million per quarter beginning January 1, 2020. The Forecasting Group is assuming the State will receive at least three quarters of the enhanced FMAP. As a condition of receiving the enhanced FMAP, the State is not allowed to disenroll anyone from Medicaid during the national emergency caused by COVID-19.

Fiscal Year 2021 Estimate. For FY 2021, the Forecasting Group estimates Medicaid will need an additional \$32.2 million. This does not include an increase in capitation payments to the managed care organizations (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 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.
- A decrease of \$120.6 million due to carryforward from FY 2020.
- A decrease of \$62.5 million as a result of an additional quarter of 6.2% enhanced FMAP.
- A net increase of \$58.7 million due to COVID-19-related expenditures, mainly enrollment increases.
- An additional increase of \$11.8 million due to decreased revenue from the Health Care Trust Fund.

Fiscal Year 2021 Uncertainty. Several states have reported substantial increases in new Medicaid and Children's Health Insurance Program (CHIP) enrollment as a result of the COVID-19 pandemic. Iowa has realized Medicaid enrollment impacts as a result of disenrollment suspension; however, significant impacts in new enrollment have not yet occurred. While a significant increase in new enrollment has not yet been seen, it is likely that Iowa will see an impact. The first reported case of COVID-19 in the U.S. was on January 21, 2020; Iowa's first reported case was more than six weeks later on March 8. This [document](#) by the National Association of Medicaid Directors (NAMD) provides further explanations for why the surge is yet to come.

Medicaid 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%). **Table 2** details Medicaid and Iowa Health and Wellness Plan (IHAWP) enrollment changes by month for FY 2020. Enrollment tends to fluctuate on a monthly basis, and those fluctuations can be as large as 3,000 individuals in Medicaid in a normal month. In April, Medicaid enrollment grew by 5,607 and IHAWP enrollment grew by 5,390, which is significantly higher than normal monthly changes in enrollment for IHAWP. Total enrollment for Medicaid is still down 912 individuals compared to the June 2019 enrollment, while the April enrollment increase in the IHAWP almost doubled the increase for the year to 10,113 individuals. A portion of the increase in both programs is due to the federal requirement for receiving the 6.2% enhanced FMAP, which prevents states from disenrolling anyone currently on a state health insurance program.

State health insurance programs such as Medicaid and IHAWP tend to be countercyclical, with enrollment generally increasing during economic downturns. The recent spike in unemployment will likely lead to

increases in both Medicaid and IHAWP. Health Management Associates recently published a report estimating possible enrollment increases. A link to the report and information relating to Iowa are available in this [Fiscal Update Article](#) published April 6, 2020.

Table 2

Changes in Medicaid and IHAWP Enrollment — FY 2020						
FY 2020	Regular Medicaid					IHAWP Total
	Children	Adults	Aged	Disabled	Total	
July	124	-291	120	-85	-132	502
August	-831	-356	100	61	-1,026	380
September	205	-101	211	296	611	844
October	-1,203	-880	-2	-132	-2,217	123
November	-866	-814	-174	-225	-2,079	1,219
December	76	-252	78	396	298	1,279
January	-2,037	-855	-30	66	-2,856	-704
February	-833	46	27	194	-566	-143
March	602	212	169	465	1,448	1,223
April	3,053	1,767	404	383	5,607	5,390
Total FY 2020	-1,710	-1,524	903	1,419	-912	10,113
Grand Total	245,625	69,087	33,654	80,300	428,666	182,293

FY 2022 Federal Medical Assistance Percentage (FMAP) Rate. The federal Bureau of Economic Analysis released preliminary [state personal income per capita data](#) for 2019 on March 24, 2020. This allows states to calculate the preliminary FFY 2022 FMAP rates. The FFY 2022 FMAP rates are based on per capita personal incomes for calendar years 2017 through 2019. 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) 2022 unless otherwise noted. Iowa's FFY 2022 FMAP rate remained unchanged, but due to the split in federal and state fiscal years, the federal share of Iowa's SFY 2022 FMAP increased by 0.14% to 61.75% (**Table 3**). This means for every dollar spent on the Medicaid program, the federal government pays \$0.6175 and Iowa pays \$0.3825. These estimates are preliminary and subject to change when final per capita personal income information is released at the end of September.

Fiscal Impact. Although the final fiscal impact will not be calculated until the end of September, the 0.14% change in the FMAP rate means that the State will be responsible for approximately \$6.3 million less in Medicaid expenditures in SFY 2022 compared to SFY 2021. **Table 3** shows the five-year change in the FMAP rate.

Table 3
Five-Year State Regular Medicaid FMAP Rate

State Fiscal Year	Federal Share	State Share	Federal % Change
FY 2018	58.05%	41.96%	1.76%
FY 2019	59.57%	40.43%	1.52%
FY 2020	60.88%	39.12%	1.31%
FY 2021	61.61%	38.39%	0.73%
FY 2022	61.75%	38.25%	0.14%

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