

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

FROM: Jess Benson

DATE: December 21, 2020

Medicaid Forecast December 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 December 18, 2020, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2021 and FY 2022. The Forecasting Group meets periodically to discuss revenues and expenditures and agree on estimates for the current and upcoming fiscal years.

Figure 1

Medicaid Balance Sheet			
	Actual FY 2020	Estimated FY 2021	Estimated FY 2022
Medicaid Funding			
Carryforward from Previous Year	\$ 87,888,114	\$ 185,769,260	\$ 234,637,824
Palo Replacement Generation Tax	1,204,161	1,397,043	615,923
Health Care Trust Fund	211,757,745	200,436,069	203,140,000
Nursing Facility Quality Assurance Fund	53,353,966	56,305,139	56,305,139
Hospital Trust Fund	33,920,554	33,920,554	33,920,554
Medicaid Fraud Fund	211,278	150,000	150,000
Transfer Decategorization Reversion	907,404	0	0
Total Non-General Fund Sources	\$ 389,243,222	\$ 477,978,065	\$ 528,769,440
General Fund Appropriation	1,427,381,675	1,459,599,409	1,459,599,409
General Fund Supplemental	88,982,734	0	0
Total General Fund Sources	\$ 1,516,364,409	\$ 1,459,599,409	\$ 1,459,599,409
Total Medicaid Funding	\$ 1,905,607,631	\$ 1,937,577,474	\$ 1,988,368,849
Estimated State Medicaid Need	\$ 1,781,756,972	\$ 1,997,869,425	\$ 1,926,531,009
FMAP Changes	-53,120,556	-32,412,311	-19,455,091
6.2% FMAP Adjustment — COVID-19	-134,650,000	-288,130,758	0
Health and Wellness Program FMAP Phase-In	16,900,000	0	0
Adjustment Due to Gov. Line Item Veto	-195,000	0	0
MCO Capitation Increase	67,834,927	0	0
Health Insurer Fee Payment	0	25,613,294	0
FY 2020 Appropriations Act Changes	27,926,781	0	0
Nursing Facility Rebase	13,385,247	0	0
Total Estimated Medicaid Need	\$ 1,719,838,371	\$ 1,702,939,650	\$ 1,907,075,918
Balance (Underfunded If Negative)	\$ 185,769,260	\$ 234,637,824	\$ 81,292,931
MCO – Managed Care Organization	CFS – Child and Family Services		
FMAP – Federal Medical Assistance Percentage	MH – Mental Health		

Final FY 2020. The Medicaid Program ended FY 2020 with a surplus of \$185.8 million, which is a \$65.2 million increase from the projected surplus at the end of the 2020 Legislative Session. The increase in the surplus was a result of \$14.0 million in increased revenue from the Health Care Trust Fund, \$9.0 million due to the DHS being allowed to claim additional COVID-19-related Federal Medical Assistance Percentage (FMAP) on Medicare-related payments, and \$37.0 million in revenue and expenditure changes that are shifting from FY 2020 to FY 2021. The overall driver of the \$185.8 million surplus is the 6.2% FMAP increase provided by the federal [COVID-19 economic stimulus package](#), which decreased State Medicaid expenditures by \$134.7 million in FY 2020.

Fiscal Year 2021 Estimate. For FY 2021, the Forecasting Group estimates Medicaid will have a surplus of \$234.6 million above what was appropriated in [HF 2643](#) (FY 2021 Omnibus Appropriations Act). The surplus is due to the 6.2% FMAP increase, which is currently scheduled to expire March 31, 2021. The Forecasting Group is assuming that the federal Public Health Emergency related to COVID-19 will be extended at least one additional quarter through June 30, 2021. If the Public Health Emergency is not extended, the surplus estimate would decrease to \$168.9 million. The FMAP increase provided approximately \$72.0 million per quarter beginning January 1, 2020. 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. The two estimates do not include an increase in capitation payments to the managed care organizations (MCOs) for FY 2021.

Fiscal Year 2022 Estimate. For FY 2022, the Forecasting Group estimates Medicaid will have a surplus of \$81.3 million assuming the June 30, 2021, expiration of the enhanced FMAP. The surplus estimate decreases to \$61.1 million if the enhanced FMAP expires March 30, 2021. The estimates do not include an increase in capitation payments to the MCOs for FY 2022.

MCO Capitation Payments. The pandemic has significantly changed the way that individuals receive health care and limited care in some cases and, as a result, has made interpreting cost data a challenge for setting MCO capitation rates. Discussion between the DHS and the MCOs is ongoing for FY 2021 and FY 2022 rates, but any increases in rates will reduce surplus estimates.

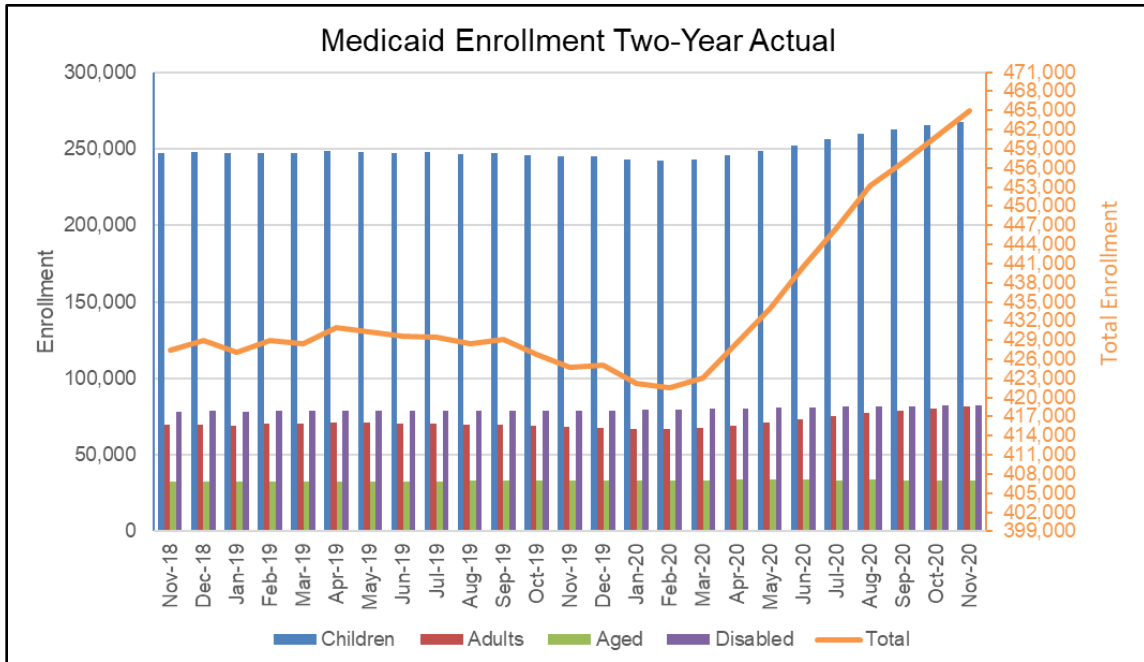
Medicaid Enrollment. **Figure 2** shows Medicaid and Iowa Health and Wellness Plan (IHAWP) enrollment changes by month. Enrollment tends to fluctuate on a monthly basis, and those fluctuations can be as large as 3,000 individuals in Medicaid and 1,500 in IHAWP in a normal month. Since March 2020, Medicaid and IHAWP have grown on average by 8,742 individuals per month.

Figure 2

Changes in Medicaid and IHAWP Enrollment — FY 2021							
FY 2021	Regular Medicaid					Total	IHAWP Total
	Children	Adults	Aged	Disabled			
July	3,613	2,133	-130	388	6,004	2,255	
August	4,058	2,213	58	243	6,572	3,310	
September	2,353	1,348	-121	94	3,674	2,640	
October	2,713	1,376	-112	70	4,047	3,078	
November	2,495	1,451	-16	116	4,046	3,802	
Total FY 2021	15,232	8,521	-321	911	24,343	15,085	
Grand Total	267,508	81,899	33,387	82,121	464,915	197,210	

Figure 3 shows monthly Medicaid enrollment over the past two years. The Medicaid Program has seen a large spike in enrollment over the past six months as a result of suspending disenrollment. The overwhelming majority of the monthly increases are associated with the maintenance-of-effort requirement for receiving the COVID-19-related 6.2% enhanced FMAP rate. The requirement does not allow the State to disenroll anyone while the federal Public Health Emergency is in effect. The requirement has currently been extended through January 21, 2021, but it is anticipated that there will be an additional extension of at least three months. It is estimated that enrollment growth of 7,300 per month will continue through the end of the Public Health Emergency.

Figure 3



FY 2022 Federal Medical Assistance Percentage (FMAP) Rate. The federal Bureau of Economic Analysis released final [state personal income per capita data](#) for 2019 on September 24, 2020. This allows states to calculate the final federal fiscal year (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 FFY 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 increased by 0.39%, but due to the difference between federal and state fiscal years, the federal share of Iowa’s SFY 2022 FMAP increased by 0.41% to 62.04% (**Figure 4**). This means for every dollar spent on the Medicaid Program, the federal government pays \$0.6204 and Iowa pays \$0.3796.

Fiscal Impact. The 0.43% change in the FMAP rate means that the State will be responsible for approximately \$19.5 million less in Medicaid expenditures in SFY 2022 compared to SFY 2021. **Figure 4** shows the five-year change in the FMAP rate.

Figure 4

Five-Year State Regular Medicaid FMAP			
State Fiscal Year	Federal Share	State Share	Federal % Change
FY 2018	58.05%	41.95%	1.77%
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	62.04%	37.96%	0.43%

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Doc ID 1207905