

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

FROM: Jess Benson

DATE: March 30, 2022

### Medicaid Forecast March 2022

**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 30, 2022, to discuss estimated Medical Assistance (Medicaid) expenditures for fiscal year (FY) 2022 and FY 2023. The Forecasting Group meets periodically to discuss revenues and expenditures and agree on estimates for the current and upcoming fiscal years.

**Figure 1**

<b>Medicaid Balance Sheet</b>			
	Actual FY 2021	Estimated FY 2022	Estimated FY 2023
<b>Medicaid Funding</b>			
Carryforward from Previous Year	\$ 185,769,260	\$ 230,391,877	\$ 315,983,713
Palo Replacement Generation Tax	1,397,043	689,567	0
Health Care Trust Fund	204,900,416	201,023,893	199,630,000
Nursing Facility Quality Assurance Fund	46,615,311	45,954,255	51,305,139
Hospital Trust Fund	33,920,554	33,920,554	33,920,554
Medicaid Fraud Fund	188,872	200,000	150,000
Transfer Decategorization Reversion	1,014,945	0	0
<b>Total Non-General Fund Sources</b>	<b>\$ 473,806,401</b>	<b>\$ 512,180,146</b>	<b>\$ 600,989,406</b>
<b>General Fund Appropriation</b>	<b>1,459,599,409</b>	<b>1,503,848,253</b>	<b>1,503,848,253</b>
General Fund Supplemental	0	0	0
<b>Total General Fund Sources</b>	<b>\$ 1,459,599,409</b>	<b>\$ 1,503,848,253</b>	<b>\$ 1,503,848,253</b>
<b>Total Medicaid Funding</b>	<b>\$ 1,933,405,810</b>	<b>\$ 2,016,028,399</b>	<b>\$ 2,104,837,659</b>
<b>Estimated State Medicaid Need</b>	<b>\$ 1,979,000,272</b>	<b>\$ 1,949,572,873</b>	<b>\$ 1,975,340,021</b>
FMAP Changes	-32,412,311	-19,455,091	-40,981,094
6.2% FMAP Adjustment — COVID-19	-275,415,639	-289,392,395	0
MCO Capitation Increase	6,228,317	14,503,010	0
Health Insurer Fee Payment	25,613,294	0	0
HCBS Program Increase	0	11,002,240	0
PMIC Provider Rate Increase	0	3,900,000	0
Nursing Facility Rebase	0	19,080,860	0
Air Ambulance Provider Rate Increase	0	100,000	0
Home Health Rate Increase	0	2,000,000	0
Home-Based Habilitation Rate Increase	0	7,134,214	0
Reduce Children's Mental Health Waiver Waitlist	0	1,031,530	0
Pharmacy Fee Increase	0	567,445	0
<b>Total Estimated Medicaid Need</b>	<b>\$ 1,703,013,933</b>	<b>\$ 1,700,044,686</b>	<b>\$ 1,934,358,927</b>
<b>Balance (Underfunded If Negative)</b>	<b>\$ 230,391,877</b>	<b>\$ 315,983,713</b>	<b>\$ 170,478,732</b>
MCO – Managed Care Organization		PMIC – Psychiatric Medical Institution for Children	
FMAP – Federal Medical Assistance Percentage		MH – Mental Health	

**Final Fiscal Year 2021.** Fiscal Year 2021 ended with a \$230.4 million surplus above what was appropriated in [HF 2643](#) (FY 2021 Omnibus Appropriations Act). The surplus was a result of the enhanced 6.2% Federal Medical Assistance Percentage (FMAP) increase, which was part of the federal COVID-19 relief to states. 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.

**Fiscal Year 2022 Estimate.** For FY 2022, the Forecasting Group estimates Medicaid will have a surplus of \$316.0 million. The estimate includes the legislative changes approved in [HF 891](#) (FY 2022 Health and Human Services Appropriations Act), including \$44.8 million in provider rate increases. The estimate also includes an increase in the capitation payments for the two managed care organizations (MCOs) for FY 2022. The estimate assumes that the COVID-19 enhanced FMAP will expire at the end of June 2022, but it may be extended into the third quarter of calendar year (CY) 2022.

**Fiscal Year 2023 Estimate.** For FY 2023, the Forecasting Group estimates Medicaid will have a surplus of \$170.5 million. The estimated surplus is due to the projected carryforward from FY 2022. The FY 2023 estimate does not include any capitation rate increases. The estimate assumes that the public health emergency will end in June 2022, and individuals who are no longer eligible will begin to be disenrolled in August 2022. Eligibility redeterminations and the disenrollment process will likely take 9 to 12 months in accordance with federal guidelines.

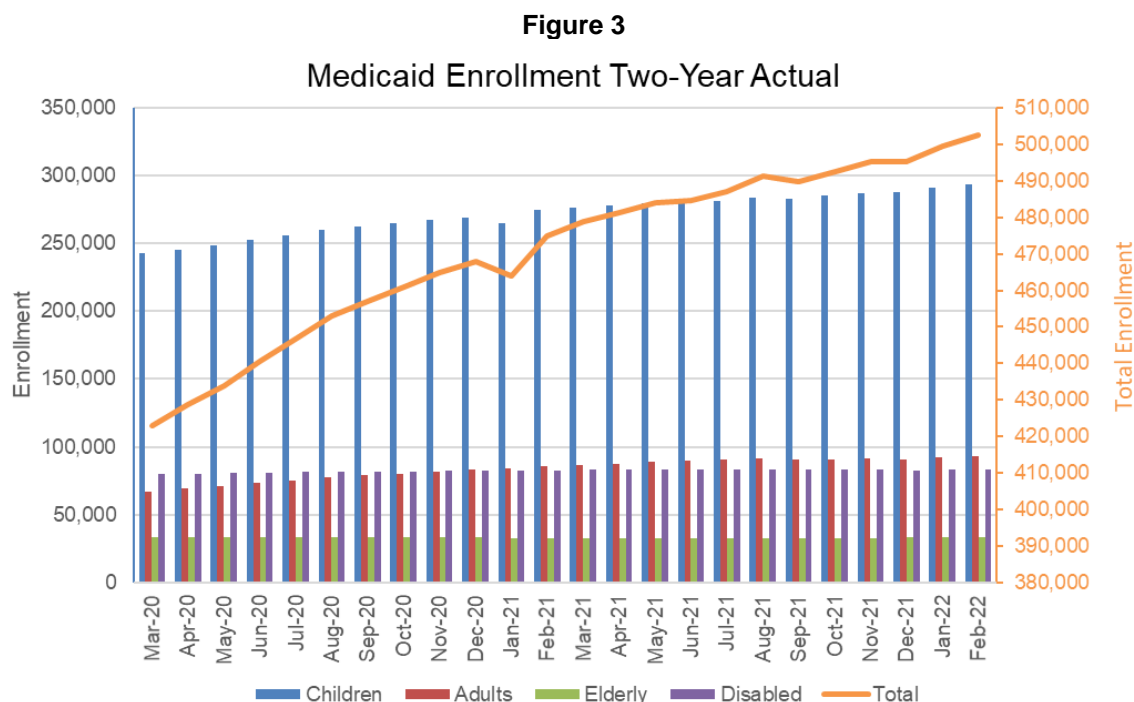
**Medicaid Enrollment.** Before COVID-19, enrollment tended to fluctuate on a monthly basis by as many as 3,000 individuals in Medicaid and 1,500 in Iowa Health and Wellness Plan (IHAWP) in a normal month. In FY 2021, Medicaid and IHAWP grew by an average by 6,793 individuals per month, with total growth of 81,520 individuals for the fiscal year. The overwhelming majority of the monthly increases are associated with the maintenance of effort requirement for receiving the 6.2% enhanced FMAP rate related to COVID-19.

**Figure 2** shows Medicaid and IHAWP enrollment changes by month. Through the first eight months of FY 2022, enrollment has slowed from the FY 2021 pace, but still grew by an average of 4,680 per month for the two programs, with total enrollment growth of 37,439 for both Medicaid and IHAWP through February.

**Figure 2**

<b>Changes in Medicaid and IHAWP Enrollment — FY 2022</b>						
	Regular Medicaid					IHAWP
	Children	Adults	Aged	Disabled	Total	Total
FY 2021 Total	279,452	89,526	32,474	83,181	484,633	226,464
<b>FY 2022 Monthly Changes</b>						
July	1,453	910	147	50	2,560	2,108
August	2,497	1,121	80	260	3,958	2,687
September	-142	-1,288	100	-57	-1,387	3,407
October	2,093	693	10	56	2,852	1,873
November	2,001	501	-39	88	2,551	2,365
December	787	-752	663	-681	17	2,728
January	3,090	1,302	-63	25	4,354	3,120
February	2,083	1,026	-182	48	2,975	1,271
Total FY 2022	13,862	3,513	716	-211	17,880	19,559
Grand Total FY 2022	293,314	93,039	33,190	82,970	502,513	246,023

**Figure 3** shows monthly Medicaid enrollment over the past two years. The Medicaid Program has seen a large increase in enrollment since March 2020 as a result of suspending disenrollment. It is estimated that enrollment growth of 4,000 to 6,000 per month will continue through the end of the public health emergency.



**FY 2024 Preliminary FMAP Rate.** The Bureau of Economic Analysis [released](#) preliminary state personal income per capita data for 2021 on March 23, 2022. This allows states to calculate the preliminary Federal Fiscal Year (FFY) 2024 FMAP rates. The FFY 2024 FMAP rates are based on per capita personal incomes for CYs 2019 through 2021. These rates are calculated on a FFY basis, but the numbers in this article have been blended to reflect State Fiscal Year (SFY) 2024. Iowa's SFY 2024 FMAP rate increased by 0.67% to 63.55%. This means for every dollar spent on the Medicaid Program, the federal government will pay \$0.6355 and Iowa will pay \$0.3645. Final per capita data will be released at the end of September 2022, allowing states to calculate their final FY 2024 FMAP rate.

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 pie for Iowa. Assuming the final rate remains similar to the preliminary rate, this will be the eighth 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. The 0.67% change in the FMAP rate means that the State will be responsible for approximately \$32.7 million less in Medicaid expenditures in SFY 2024. **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 2020	60.88%	39.12%	1.31%
FY 2021	61.61%	38.39%	0.73%
FY 2022	62.04%	37.96%	0.43%
FY 2023	62.88%	37.12%	0.84%
FY 2024	63.55%	36.45%	0.67%