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

FROM: Eric M. Richardson

DATE: March 24, 2023

### **Medicaid Forecast March 2023**

**Forecasting Group.** Staff members from the Department of Health and Human Services (HHS), the Department of Management (DOM), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on March 24, 2023, to discuss estimated Medical Assistance (Medicaid) expenditures for Fiscal Year (FY) 2022, FY 2023, and FY 2024. The Forecasting Group meets periodically to discuss revenues and expenditures and agree on estimates for the current and upcoming Fiscal Years.

**Final Fiscal Year 2022.** Fiscal Year 2022 ended with a \$373.6 million surplus (see **Figure 1**) above what was appropriated in [HF 891](#) (FY 2022 Health and Human Services Appropriations Act). The surplus was a result of the enhanced 6.20% Federal Medical Assistance Percentage (FMAP) increase, which was part of the federal COVID-19 relief to states, and includes \$100.6 million in unspent American Rescue Plan Act (ARPA) of 2021 State funds. The FMAP increase provided approximately \$72.0 million per quarter in additional funds 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 2023 Estimate.** For FY 2023, the Forecasting Group estimates Medicaid will have a surplus of \$308.7 million. The estimate includes the legislative changes approved in [HF 2578](#) (FY 2023 Health and Human Services Appropriations Act), including \$6.3 million in provider rate increases, and includes \$37.4 million in unspent ARPA State funds. The estimate also includes an increase in the capitation payments for the two managed care organizations (MCOs) for FY 2023. The estimate includes the end of the public health emergency (PHE) in April 2023, and individuals who are no longer eligible for Medicaid will begin to be disenrolled in May 2023. Eligibility redeterminations and the disenrollment process will likely take 9 to 12 months in accordance with federal guidelines.

**Fiscal Year 2024 Estimate.** For FY 2024, the Forecasting Group estimates Medicaid will have a surplus of \$137.1 million. The estimated surplus is due to the projected carryforward from FY 2023, and an enhanced FMAP of 2.50% in the first quarter and 1.50% in the second quarter of FY 2024 due to the end of the PHE, as provided in the federal [Consolidated Appropriations Act of 2023](#). The FY 2024 estimate does not include any capitation rate increases.

Figure 1

<b>Medicaid Balance Sheet</b>			
	Actual FY 2022	Estimated FY 2023	Estimated FY 2024
<b>Medicaid Funding</b>			
Carryforward from Previous Year	\$ 230,391,877	\$ 273,039,251	\$ 271,276,122
Palo Replacement Generation Tax	689,567	0	0
Health Care Trust Fund	190,819,343	183,798,700	183,500,000
Nursing Facility Quality Assurance Fund	49,537,998	51,305,139	56,305,139
Hospital Trust Fund	29,357,710	33,749,233	33,920,554
Medicaid Fraud Fund	200,000	150,000	150,000
Transfer Decategorization Reversion	222,489	0	0
<b>Total Non-General Fund Sources</b>	<b>\$ 501,218,984</b>	<b>\$ 542,042,323</b>	<b>\$ 545,151,815</b>
<b>General Fund Appropriation</b>			
General Fund Supplemental	1,503,848,253	1,510,127,388	1,510,127,388
	0	0	0
<b>Total General Fund Sources</b>	<b>\$ 1,503,848,253</b>	<b>\$ 1,510,127,388</b>	<b>\$ 1,510,127,388</b>
<b>Total Medicaid Funding</b>	<b>\$ 2,005,067,237</b>	<b>\$ 2,052,169,711</b>	<b>\$ 2,055,279,203</b>
<b>Estimated State Medicaid Need</b>			
	\$ 1,970,735,778	\$ 2,001,654,846	\$ 1,993,857,786
FMAP Changes	-19,455,091	-40,981,094	-30,952,943
FMAP Adjustment — COVID-19	-279,153,480	-263,787,097	-44,709,677
MCO Capitation Increase	14,503,010	76,700,000	0
Health Insurer Fee Payment	0	0	0
HCBS Program Increase	11,002,240	0	0
PMIC Provider Rate Increase	3,900,000	0	0
Nursing Facility Rebase	19,080,860	0	0
Air Ambulance Provider Rate Increase	100,000	0	0
Home Health Rate Increase	2,000,000	0	0
Home-Based Habilitation Rate Increase	7,134,214	0	0
Reduce Children's Mental Health Waiver Waitlist	1,031,530	0	0
Pharmacy Fee Increase	1,148,925	0	0
Home Health Rural Incentives	0	1,777,082	0
ICF/ID Rate Increase	0	1,339,971	0
Behavioral Health Intervention Services Rate Increase	0	1,277,082	0
Psychiatric Tiered Rates	0	1,500,000	0
Functional Family and Multisystemic Therapy	0	118,799	0
Medicaid Refunds and Offsets	0	909,000	0
Applied Behavioral Analysis Rate Increase	0	385,000	0
<b>Total Estimated Medicaid Need</b>	<b>\$ 1,732,027,986</b>	<b>\$ 1,780,893,589</b>	<b>\$ 1,918,195,166</b>
<b>Balance (Underfunded If Negative)</b>	<b>\$ 273,039,251</b>	<b>\$ 271,276,122</b>	<b>\$ 137,084,037</b>
Unspent ARPA State Funds	\$ 100,567,287	\$ 37,380,877	\$ 0
<b>Ending State Balance</b>	<b>\$ 373,606,538</b>	<b>\$ 308,656,999</b>	<b>\$ 137,084,037</b>
MCO – Managed Care Organization	PMIC – Psychiatric Medical Institution for Children		
FMAP – Federal Medical Assistance Percentage	MH – Mental Health		
ARPA – American Rescue Plan Act of 2021	ICF/ID – Intermediate Care Facilities for Individuals with		
HCBS – Home- and Community-Based Services	Intellectual Disability		

**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 the Iowa Health and Wellness Plan (IHAWP) in a normal month. In FY 2022, Medicaid and IHAWP grew by an average of 4,295 individuals per month, with total growth of 51,539 individuals for the Fiscal Year. The majority of the monthly increases are associated with the maintenance of effort requirement for receiving the 6.20% enhanced FMAP rate related to COVID-19.

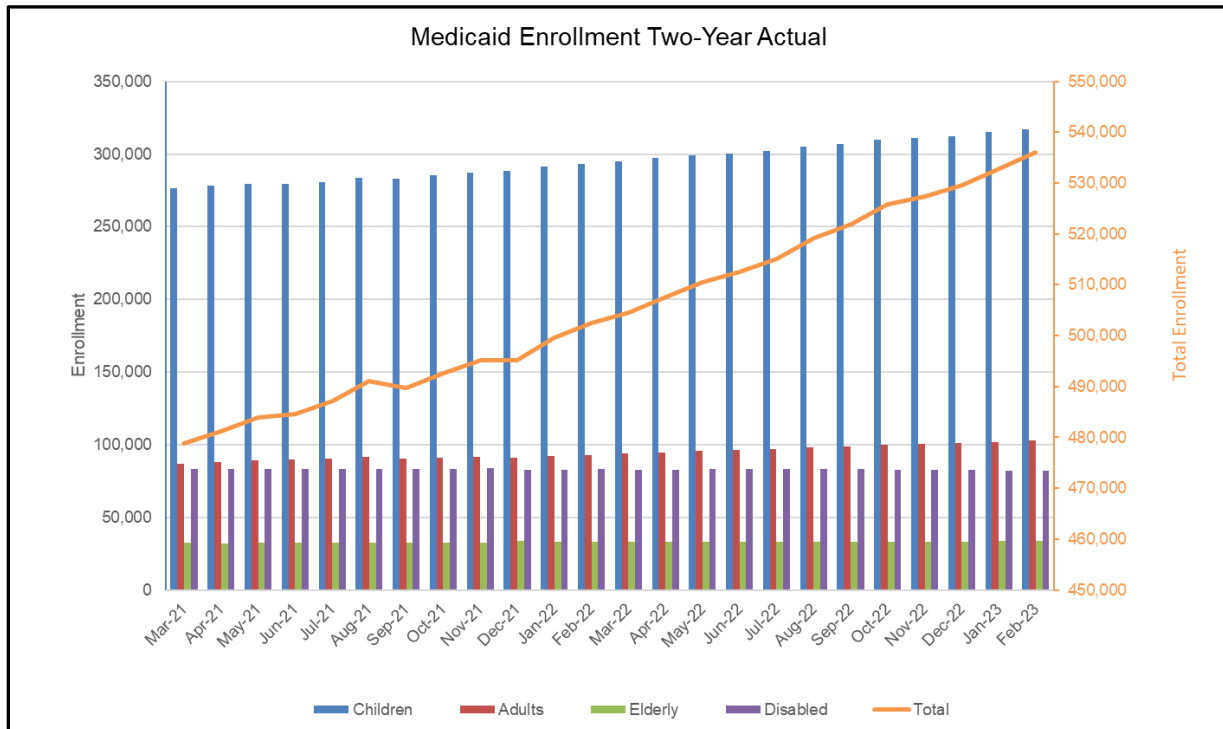
**Figure 2** shows Medicaid and IHAWP enrollment changes by month. Through the first eight months of FY 2023, enrollment has increased from the FY 2022 pace and is averaging 5,179 per month for the two programs, with total enrollment growth of 41,429 for both Medicaid and IHAWP through February.

**Figure 2**

	Regular Medicaid					Total	IHAWP Total
	Children	Adults	Aged	Disabled	Total		
FY 2022 Total	300,521	96,084	32,916	82,961	512,482	250,154	
<b>FY 2023 Monthly Changes</b>							
July	1,789	801	44	-21	2,613	1,352	
August	2,743	1,221	105	66	4,135	2,063	
September	1,823	826	64	-73	2,640	1,244	
October	2,728	1,183	145	-19	4,037	2,313	
November	1,288	373	-53	-158	1,450	1,586	
December	1,643	550	174	-213	2,154	2,732	
January	2,509	887	605	-639	3,362	4,081	
February	2,259	916	-17	74	3,232	2,435	
Total FY 2023	16,782	6,757	1,067	-983	23,623	17,806	
Grand Total FY 2023	317,303	102,841	33,983	81,978	536,105	267,960	

**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 in April before decreasing through FY 2024.

**Figure 3**



**FY 2024 FMAP Rates.** The Bureau of Economic Analysis [released](#) final State personal per capita income data for 2021 on September 30, 2022. This allows states to calculate the final Federal Fiscal Year (FFY) 2024 FMAP rates. The FFY 2024 FMAP rates are based on per capita personal incomes for calendar years 2019 through 2021. These rates are calculated on a Federal Fiscal Year basis, but the numbers in this report have been blended to reflect State Fiscal Year (SFY) 2024. Iowa's SFY 2024 FMAP rate increased by 1.00% to 63.88%. This means for every dollar spent on the Medicaid program, the federal government will pay \$0.6388 and Iowa will pay \$0.3612. The FMAP change is 0.33% greater than the preliminary estimate that was released in March 2022.

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 portion for Iowa. This is 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 8.20% from FY 2010 to FY 2016.

**Fiscal Impact.** The 1.00% change in the FMAP rate means that the State will be responsible for approximately \$31.0 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	63.88%	36.12%	1.00%