



LEGISLATIVE
SERVICES AGENCY

Serving the Iowa Legislature

Tim McDermott, Director

Lindsey Ingraham
Fiscal Legislative Analyst
Ola Babcock Miller Building
Des Moines, IA 50319

Phone: 515.281.6764

Email: lindsey.ingraham@legis.iowa.gov



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

FROM: Lindsey Ingraham

DATE: December 19, 2023

Medicaid Forecast December 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 December 19, 2023, to discuss estimated Medical Assistance (Medicaid) expenditures for current and upcoming fiscal years. The Group has made initial consensus projections for fiscal year (FY) 2024 and FY 2025 (see **Figure 1**).

Final Fiscal Year 2023. Fiscal Year 2023 ended with a \$421.4 million surplus above what was appropriated in 2022 Iowa Acts, [House File 2578](#) (FY 2023 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 included \$53.4 million in unspent [American Rescue Plan Act of 2021 \(ARPA\)](#) State funds. The FMAP increase provided approximately \$72.0 million per quarter beginning January 1, 2020. The estimate also includes an increase in the capitation payments for the two managed care organizations (MCOs) for FY 2023. The surplus includes the end of the federal public health emergency (PHE) in April 2023, and disenrollment for individuals who are no longer eligible for Medicaid began 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 that Medicaid will have a surplus of \$247.4 million above what was appropriated in 2023 Iowa Acts, [Senate File 561](#) (FY 2024 Health and Human Services Appropriations Act). 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 also includes capitation rate increases.

Fiscal Year 2025 Estimate. For FY 2025, the Forecasting Group estimates that Medicaid will have a surplus of \$110.8 million. The estimated surplus is lower than FY 2024 due to the end of the PHE, along with a preliminary 0.41% decrease in Iowa's FMAP. The FY 2025 estimate does not include any capitation rate increases. Revenue from the Medicaid Managed Care Organization (MCO) premium tax enacted in 2023 Iowa Acts, [House File 685](#) (Medicaid, Liens, and Third-Party Recovery Act), has been included in the forecast estimate. The tax is scheduled to be collected beginning January 1, 2024, and submitted by the MCOs beginning in FY 2025.

Figure 1 — Medicaid Balance Sheet

	Actual FY 2023	Estimated FY 2024	Estimated FY 2025
Medicaid Funding			
Carryforward from Previous Year	\$ 273,039,251	\$ 367,990,615	\$ 247,351,846
Palo Replacement Generation Tax	0	0	0
Health Care Trust Fund	183,706,173	178,726,476	176,470,000
Nursing Facility Quality Assurance Fund	57,161,022	111,216,205	111,216,205
Hospital Trust Fund	33,920,554	33,920,554	33,920,554
MCO Premium Tax	0	0	119,165,439
Medicaid Fraud Fund	58,806	150,000	150,000
Transfer Decategorization Reversion	880,576	0	0
Total Non-General Fund Sources	\$ 548,766,382	\$ 692,003,850	\$ 688,274,044
General Fund Appropriation	1,510,127,388	1,543,626,779	1,543,626,779
General Fund Supplemental	0	0	0
Total General Fund Sources	\$ 1,510,127,388	\$ 1,543,626,779	\$ 1,543,626,779
Total Medicaid Funding	\$ 2,058,893,770	\$ 2,235,630,629	\$ 2,231,900,823
Estimated State Medicaid Need	\$ 1,928,172,322	\$ 1,994,168,871	\$ 2,094,471,230
FMAP Changes	-40,981,094	-47,280,411	26,600,000
FMAP Adjustment — COVID-19	-263,787,097	-44,709,677	0
MCO Capitation Increase	60,192,090	65,600,000	0
HCBS Program Increase	0	5,500,000	0
Nursing Facility Rebase	0	15,000,000	0
Home Health Rural Incentives	1,777,082	0	0
ICF/ID Rate Increase	1,339,971	0	0
Behavioral Health Intervention Services Rate Increase	1,277,082	0	0
Psychiatric Tiered Rates	1,500,000	0	0
Functional Family and Multisystemic Therapy	118,799	0	0
Medicaid Refunds and Offsets	909,000	0	0
Applied Behavioral Analysis Rate Increase	385,000	0	0
Office of Chief Information Officer Adjustment	0	-609	0
Mental Health Service Rate Increase (85.0%)	0	3,000,000	0
Mental Health Therapy	0	7,000,000	0
Substance Abuse Provider Rates	0	3,000,000	0
Total Estimated Medicaid Need	\$ 1,690,903,155	\$ 1,988,278,783	\$ 2,121,071,230
Balance (Underfunded If Negative)	\$ 367,990,615	\$ 247,351,846	\$ 110,829,593
Unspent ARPA State Funds	\$ 53,388,793	\$ 0	\$ 0
Ending State Balance	\$ 421,379,408	\$ 247,351,846	\$ 110,829,593
MCO – Managed Care Organization FMAP – Federal Medical Assistance Percentage ARPA – American Rescue Plan Act of 2021 HCBS – Home- and Community-Based Services			
ICF/ID – Intermediate Care Facilities for Persons with an Intellectual Disability			

Medicaid Enrollment. Before COVID-19, enrollment tended to fluctuate monthly 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 2023, Medicaid and IHAWP grew by an average of 477 individuals per month, with total growth of 5,725 individuals for the fiscal year. The majority of the monthly increases were associated with the maintenance of effort requirement for receiving the 6.20% enhanced FMAP rate related to COVID-19. However, due to the end of the PHE in April 2023, disenrollment reduced overall Medicaid totals beginning in May 2023, which has continued into FY 2024.

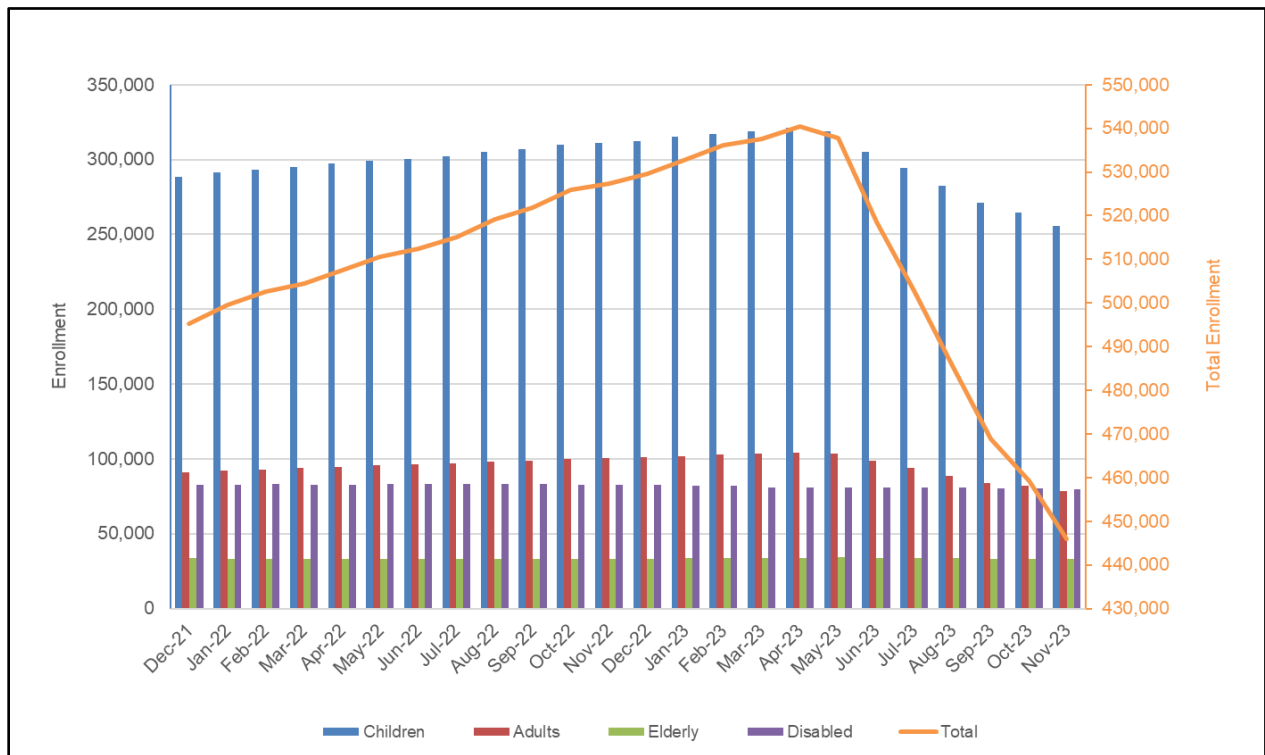
Figure 2 shows Medicaid and IHAWP enrollment changes by month. Through the first five months of FY 2024, enrollment has decreased from the FY 2023 pace and is averaging -25,136 per month for the two programs, with total enrollment decline of 125,680 for both Medicaid and IHAWP through November.

Figure 2 — Changes in Medicaid and IHAWP Enrollment in FY 2024

	Regular Medicaid					Total	IHAWP Total
	Children	Adults	Aged	Disabled	Total		
FY 2023 Total	305,184	98,543	33,971	80,859	518,557	249,804	
FY 2024 Monthly Changes							
July	-10,885	-4,761	-154	91	-15,709	-15,066	
August	-11,659	-5,139	-272	-70	-17,140	-15,198	
September	-11,557	-4,681	-289	-372	-16,899	-10,450	
October	-6,716	-2,162	-116	-514	-9,508	-5,479	
November	-8,856	-3,511	-273	-603	-13,243	-6,988	
Total FY 2024	-49,673	-20,254	-1,104	-1,468	-72,499	-53,181	
Grand Total FY 2024	255,511	78,289	32,867	79,391	446,058	196,623	

Figure 3 shows monthly Medicaid enrollment over the past two years. The Medicaid Program saw a large increase in enrollment from March 2020 to April 2023 as a result of suspending disenrollment. Since the end of the PHE, disenrollment has been reinstated and enrollment numbers have decreased through FY 2024.

Figure 3 — Medicaid Enrollment, Two-Year Actual



FY 2025 FMAP Rates. The Bureau of Economic Analysis [released](#) final State per capita personal income data for 2022 on September 29, 2023. This allows states to calculate the final federal fiscal year (FFY) 2025 FMAP rates. The FFY 2025 FMAP rates are based on per capita personal incomes for calendar years 2020 through 2022. 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) 2025. Iowa's SFY 2025 FMAP rate decreased by 0.41% to 63.47%. This means that for every dollar spent on the Medicaid program, the federal government will pay \$0.6347 and Iowa will pay \$0.3653. The FMAP change is 0.58% less on a State fiscal year basis than the preliminary estimate that was released in March.

The FMAP decrease indicates that Iowa's economy is doing better compared to other states, resulting in a smaller share of the total FMAP portion for Iowa. This is the first time since FY 2016 that the FMAP rate has moved against the State's favor, meaning Iowa pays more. Prior to the 9.22% increase from FY 2017 to FY 2024, the rate declined 8.20% from FY 2010 to FY 2016.

Fiscal Impact. Although the final fiscal impact is still being calculated, the -0.41% change in the FMAP rate means that the State will be responsible for approximately \$26.6 million more in Medicaid expenditures in SFY 2025. This figure 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 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%
FY 2025	63.47%	36.53%	-0.41%