



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

FROM: Louie Hoehle and Eric Richardson

DATE: March 18, 2025

March 2025 Medicaid Forecast

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 14, 2025, to discuss estimated Medical Assistance (Medicaid) expenditures for fiscal year (FY) 2025 and FY 2026. The Forecasting Group meets periodically to discuss revenues and expenditures and agree on estimates for the current and upcoming fiscal years.

Final Fiscal Year 2024. Fiscal year 2024 ended with a \$307.1 million surplus, including \$14.9 million in unspent [American Rescue Plan Act \(ARPA\) of 2021](#) State funds, above what was appropriated in 2023 Iowa Acts, chapter [112](#) (FY 2024 Health and Human Services Appropriations Act), as detailed in **Figure 1**. The surplus was a result of the end of the federal public health emergency (PHE) in April 2023, as individuals who were no longer eligible for Medicaid were disenrolled beginning May 2023. Eligibility redeterminations and the disenrollment process took 12 months in accordance with federal guidelines. The surplus was also due to the \$368.0 million carryforward from FY 2023 and an enhanced Federal Medical Assistance Percentage (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 \$98.7 million above what was appropriated in 2024 Iowa Acts, [House File 2698](#) (FY 2025 Health and Human Services Appropriations Act). The estimated surplus is due to the \$292.2 million carryforward from FY 2024 and a decrease in enrollment due to disenrollment at the end of the PHE. The FY 2025 estimate includes capitation rate increases and a \$6.8 million transfer to cover a projected FY 2025 shortfall in the Children's Health Insurance Program (CHIP). Revenue from the managed care organization (MCO) premium tax enacted in 2023 Iowa Acts, [House File 685](#) (Medicaid, Liens, and Third-Party Recovery Act), is included in this forecast estimate. The tax was collected beginning January 1, 2024, and submitted by the MCOs beginning in FY 2025.

Fiscal Year 2026 Estimate. For FY 2026, the Forecasting Group estimates that Medicaid will have a deficit of \$170.6 million. The estimated deficit is due to the end of the PHE, along with a 0.63% decrease in Iowa's FMAP. The FY 2026 estimate does not include any capitation rate increases. A decrease in prior-year carryforward and MCO premium tax revenues are estimated to decrease Medicaid revenues by \$215.3 million, while total expenditures are estimated to increase by \$53.9 million, creating the estimated deficit.

Figure 1 — Medicaid Balance Sheet

	Actual FY 2024	Estimated FY 2025	Estimated FY 2026
Medicaid Funding			
Carryforward from Previous Year	\$ 367,990,615	\$ 292,212,754	\$ 98,661,249
Health Care Trust Fund	159,770,706	154,567,215	152,760,000
Nursing Facility Quality Assurance Fund	106,556,027	111,216,205	111,216,205
Hospital Trust Fund	33,920,554	33,920,554	33,920,554
MCO Premium Tax	0	101,329,790	81,362,456
Medicaid Fraud Fund	16,934	150,000	150,000
Transfer Decategorization Reversion	13,494	0	0
Total Non-General Fund Sources	\$ 668,268,330	\$ 693,396,518	\$ 478,070,464
General Fund Appropriation	1,543,626,779	1,605,063,804	1,605,063,804
General Fund Supplemental	0	0	0
Total General Fund Sources	\$ 1,543,626,779	\$ 1,605,063,804	\$ 1,605,063,804
Total Medicaid Funding	\$ 2,211,895,109	\$ 2,298,460,322	\$ 2,083,134,268
Estimated State Medicaid Need	\$ 1,832,285,321	\$ 2,053,619,240	\$ 2,233,375,207
Transfer to CHIP	0	6,770,914	0
FMAP Changes	-47,280,411	26,600,000	20,326,249
FMAP Adjustment — COVID-19	-44,709,677	0	0
MCO Capitation Increase	145,887,731	72,496,396	0
HCBS Program Increase	5,500,000	32,800,000	0
PMIC Provider Rate Increase	0	369,000	0
Nursing Facility Rebase	15,000,000	0	0
Home Health Rate Increase	0	3,000,000	0
Pharmacy Fee Increase	0	500,000	0
Office of Chief Information Officer Adjustment	-609	0	0
Mental Health Service Rate Increase (85.0%)	3,000,000	0	0
Mental Health Therapy	7,000,000	2,104,186	0
Substance Use Provider Rates	3,000,000	0	0
Hospital Directed Payment Plan	0	-6,000,000	0
Enhanced Case Management	0	5,000,000	0
Physical Therapist Rate Adjustment	0	418,121	0
Community Mental Health Centers	0	276,947	0
Medical Supplies Rate Adjustment	0	144,014	0
Occupational Therapist Rate Adjustment	0	64,692	0
Physician Assistant Rate Adjustment	0	29,691	0
Certified Nurse Midwife Provider Rate Adjustment	0	3,122	0
Supported Community Living Rates	0	1,352,750	0
Air Methods	0	250,000	0
Total Estimated Medicaid Need	\$ 1,919,682,355	\$ 2,199,799,073	\$ 2,253,701,456
Balance (Underfunded if Negative)	\$ 292,212,754	\$ 98,661,249	\$ -170,567,188
Unspent ARPA State Funds	\$ 14,933,869	\$ 0	\$ 0
Ending State Balance	\$ 307,146,623	\$ 98,661,249	\$ -170,567,188
MCO – Managed Care Organization		CHIP – Children's Health Insurance Program	
FMAP – Federal Medical Assistance Percentage		HCBS – Home and Community-Based Services	
ARPA – American Rescue Plan Act of 2021		PMIC – Psychiatric Medical Institution for Children	

Medicaid Enrollment. Before COVID-19, enrollment fluctuated 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 typical month. In FY 2024, Medicaid and IHAWP enrollment decreased by an average of 14,076 individuals per month,

with a total decline of 168,908 individuals for the fiscal year. The majority of the monthly decreases were associated with disenrollment due to the end of the PHE. However, a decrease in Medicaid and IHAWP enrollment continued to occur after disenrollment was completed in April 2024.

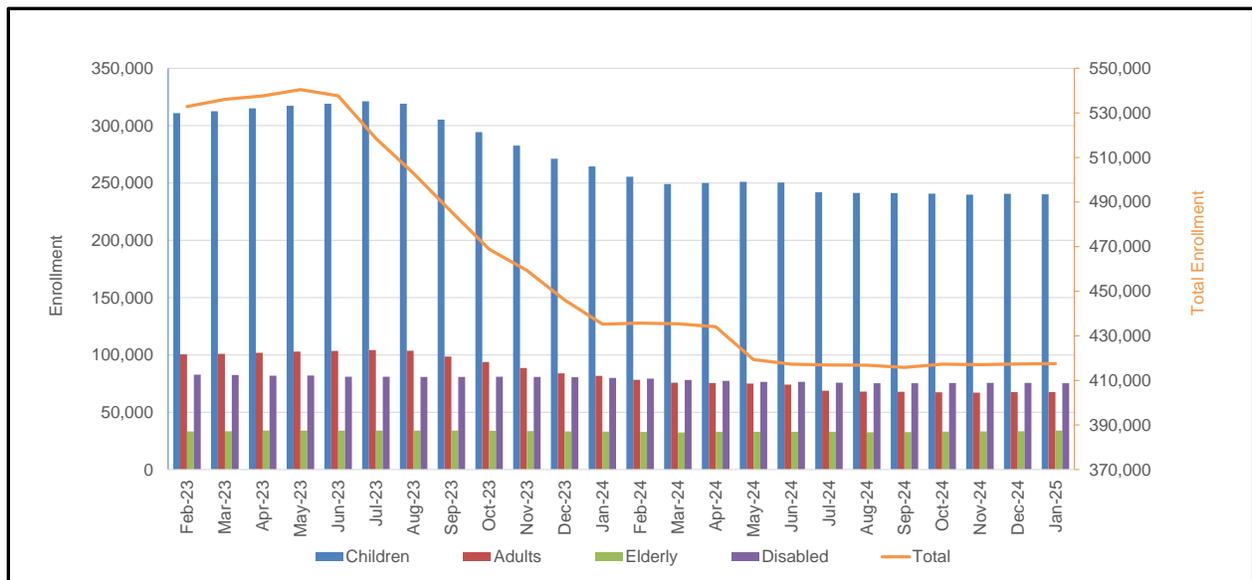
Figure 2 shows Medicaid and IHAWP enrollment changes by month. Through the first seven months of FY 2025, enrollment has decreased from FY 2024 and is averaging a decrease of 297 individuals per month for the two programs, with total enrollment shrinkage of 2,082 for both Medicaid and IHAWP through January 2025.

Figure 2 — Changes in Medicaid and IHAWP Enrollment — FY 2025

	Regular Medicaid				Total	IHAWP Total
	Children	Adults	Elderly	Disabled		
FY 2024 Total	241,098	67,840	32,712	75,262	416,912	182,541
FY 2025 Monthly Changes						
July	-345	-344	397	244	-48	-882
August	-960	-408	185	130	-1,053	-1,168
September	764	504	198	35	1,501	138
October	-460	-9	476	-276	-269	-711
November	148	-28	115	63	298	369
December	182	-374	181	155	144	592
January	-710	-219	404	-231	-756	-237
Total FY 2025	-1,381	-878	1,956	120	-183	-1,899
Grand Total FY 2025	239,717	66,962	34,668	75,382	416,729	180,642

Figure 3 shows monthly Medicaid enrollment over the past two years. The Medicaid program saw a large increase in enrollment after March 2020 as a result of suspending disenrollment. However, with the end of the PHE in April 2023, monthly disenrollment has decreased total enrollment through FY 2024.

Figure 3 — Medicaid Enrollment Two-Year Actual



FY 2026 FMAP Rates. The Bureau of Economic Analysis [released](#) final State per capita personal income data for 2023 on September 27, 2024. This allows states to calculate the final federal fiscal year (FFY) 2026 FMAP rates. The FFY 2026 FMAP rates are based on per capita personal incomes for

calendar years 2021 through 2023. These rates are calculated on a federal fiscal year basis, but the numbers in this analysis have been blended to reflect State fiscal year (SFY) 2026. Iowa's SFY 2026 FMAP rate decreased by 0.63% to 62.84%. This means that for every dollar spent on the Medicaid program, the federal government will pay \$0.6284 and Iowa will pay \$0.3716. The FMAP change is equal on a State fiscal year basis to the preliminary estimate that was released in March.

The FMAP decrease indicates that Iowa's economy is doing better since 2021 compared to other states, resulting in a smaller share of the total FMAP portion for Iowa. This is the second year in a row 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 -0.63% change in the FMAP rate means that the State will be responsible for approximately \$20.3 million more in Medicaid expenditures in SFY 2026. **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 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%
FY 2026	62.84%	37.16%	-0.63%