



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

FROM: Louie Hoehle

DATE: March 12, 2026

March 2026 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 11, 2026, to discuss estimated Medical Assistance (Medicaid) expenditures for fiscal year (FY) 2026 and FY 2027. The Forecasting Group meets periodically to discuss revenues and expenditures and agree on estimates for the current and upcoming fiscal years, as detailed in **Figure 1**.

Fiscal Year 2025 Estimate. Fiscal year 2025 ended with a \$99.9 million surplus 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 Public Health Emergency (PHE). The FY 2025 estimate also includes capitation rate increases. 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 \$90.6 million considering total expenditures and the appropriations in 2025 Iowa Acts, [House File 1049](#) (FY 2026 Health and Human Services Appropriations Act). The estimated deficit is due to the end of the PHE and enhanced Federal Medical Assistance Percentage (FMAP), along with a 0.63% decrease in Iowa's standard FMAP. The FY 2026 estimate includes capitation rate increases and legislative adjustments. Estimated decreases in prior-year carryforward, the Health Care Trust Fund (HCTF), the MCO premium tax, and the Medicaid Fraud Fund may decrease Medicaid revenues by \$240.1 million, while total expenditures are estimated to increase by \$192.9 million, creating the estimated deficit.

Fiscal Year 2027 Estimate. For FY 2027, the Forecasting Group estimates that Medicaid will have a deficit of \$167.6 million. The FY 2027 estimate does not include any capitation rate increases. A decrease in prior-year carryforward and the HCTF, combined with an increase in the MCO premium tax, is estimated to decrease Medicaid revenues by \$17.1 million. The increase in the MCO premium tax is due to timing of receipts, as revenues that were previously expected to be available in FY 2026 are now expected to be available in FY 2027. Expenditures are estimated to increase by \$59.8 million, creating the estimated deficit.

Figure 1 — Medicaid Balance Sheet

	Actual FY 2025	Estimated FY 2026	Estimated FY 2027
Medicaid Funding			
Carryforward from Previous Year	\$ 292,212,754	\$ 99,897,419	\$ 0
Health Care Trust Fund	144,436,415	134,096,000	131,225,333
Quality Assurance Trust Fund	107,467,186	111,216,205	111,216,205
Hospital Health Care Access Trust Fund	33,920,554	33,920,554	33,920,554
MCO Premium Tax	101,746,078	64,940,204	150,597,930
Medicaid Fraud Fund	744,869	150,000	150,000
Decategorization Transfer	34,276	0	0
Total Non-General Fund Sources	\$ 680,562,132	\$ 444,220,382	\$ 427,110,023
General Fund Appropriation	1,605,063,804	1,837,804,073	1,837,804,073
General Fund Supplemental	0	0	0
Total General Fund Sources	\$ 1,605,063,804	\$ 1,837,804,073	\$ 1,837,804,073
Total Medicaid Funding	\$ 2,285,625,936	\$ 2,282,024,455	\$ 2,264,914,096
Estimated State Medicaid Need	\$ 2,040,325,360	\$ 2,185,849,743	\$ 2,450,036,887
FMAP Changes	26,600,000	29,040,932	-17,551,342
MCO Capitation Rate Increase	72,496,396	135,524,376	0
Nursing Facility Rebase	0	20,000,000	0
HCBS Program Increase	32,800,000	0	0
PMIC Provider Rate Increase	369,000	0	0
Home Health Rate Increase	3,000,000	0	0
Intermittent Community-Based Services	0	3,050,000	0
Dental Rate Increase	0	2,136,304	0
Pharmacy Fee Increase	500,000	0	0
Maternal Health Rate Adjustment	0	420,000	0
Prosthetics Rate Increase	0	100,000	0
CCBHC Increased Federal Reimbursement	0	-3,000,000	0
Nursing Facility Renovation and Construction Decrease	0	-800,000	0
Personal Needs Allowance \$5 Increase	0	330,513	0
Mental Health Therapy	2,104,186	0	0
Hospital Directed Payment Plan	-6,000,000	0	0
Enhanced Case Management	5,000,000	0	0
Physical Therapist Rate Adjustment	418,121	0	0
Community Mental Health Centers	276,947	0	0
Medical Supplies Rate Adjustment	144,014	0	0
Occupational Therapist Rate Adjustment	64,692	0	0
Physician Assistant Rate Adjustment	29,691	0	0
Certified Nurse Midwife Provider Rate Adjustment	3,122	0	0
Supported Community Living Rates	1,352,750	0	0
Air Methods	250,000	0	0
Total Estimated Medicaid Need	\$ 2,179,734,279	\$ 2,372,651,868	\$ 2,432,485,545
Balance (Underfunded if Negative)	\$ 105,891,657	\$ -90,627,413	\$ -167,571,449
ARPA Carryforward	\$ 14,933,868	\$ 0	\$ 0
ARPA Expenditures	-14,933,868	0	0
Transfers between Medicaid, CHIP, and SSA	-5,994,238	0	0
Ending State Balance	\$ 99,897,419	\$ -90,627,413	\$ -167,571,449
MCO – Managed Care Organization		FMAP – Federal Medical Assistance Percentage	
HCBS – Home and Community-Based Services		PMIC – Psychiatric Medical Institution for Children	
CCBHC – Certified Community Behavioral Health Clinic		CHIP – Children's Health Insurance Program	
SSA – State Supplementary Assistance		ARPA – American Rescue Plan Act	
Note: Totals may not sum due to rounding.			

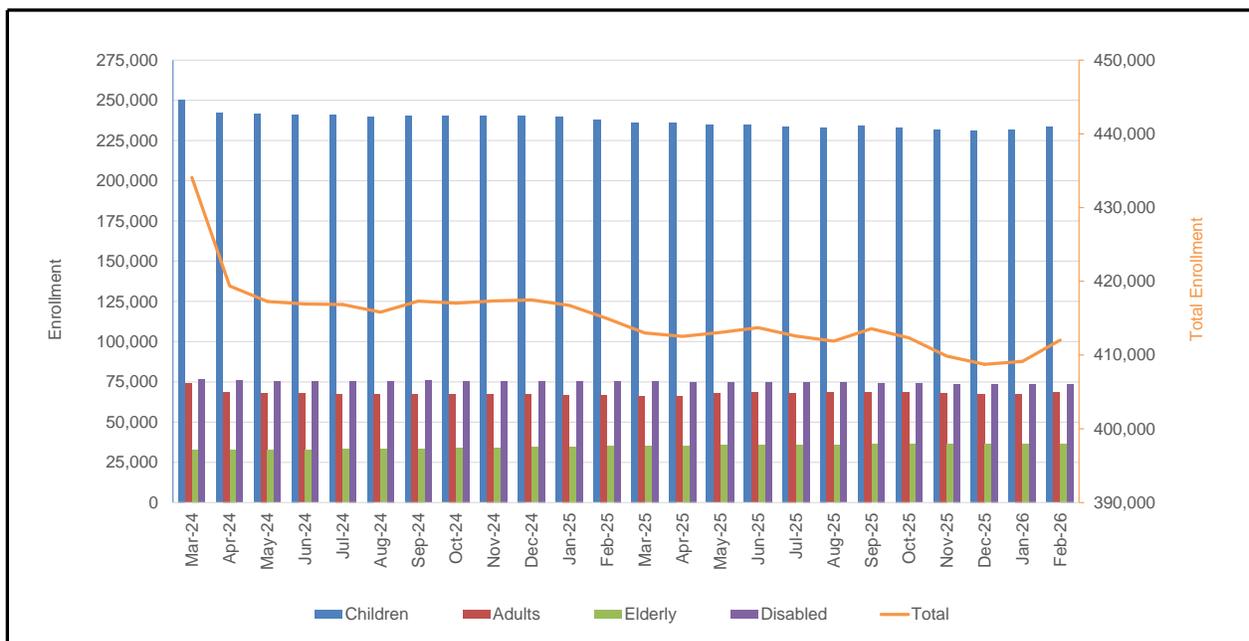
Medicaid Enrollment. In FY 2025, Medicaid and Iowa Health and Wellness Plan (IHAWP) enrollment decreased by an average of 530 individuals per month, with a total decline of 6,358 individuals for the fiscal year. **Figure 2** shows Medicaid and IHAWP enrollment changes by month. Through the first eight months of FY 2026, enrollment has decreased from FY 2025 and is averaging a decrease of 211 individuals per month for traditional Medicaid. Enrollment in IHAWP has increased overall and is averaging an increase of 604 individuals per month. Total enrollment has increased by 3,140 individuals for the two programs combined, through February 2026.

Figure 2 — Changes in Medicaid and IHAWP Enrollment — FY 2026

	Traditional Medicaid					IHAWP
	Children	Adults	Elderly	Disabled	Total	Total
FY 2025 Total	234,786	68,249	35,656	75,024	413,715	179,380
FY 2026 Monthly Changes						
July	-984	-100	104	-152	-1,132	-1,139
August	-760	221	185	-335	-689	-283
September	1,136	474	259	-194	1,675	1,579
October	-866	-200	186	-367	-1,247	274
November	-1,317	-701	-85	-363	-2,466	531
December	-671	-533	149	-48	-1,103	705
January	155	81	72	79	387	1,433
February	1,890	904	146	-53	2,887	1,728
Total FY 2026	-1,417	146	1,016	-1,433	-1,688	4,828
Grand Total FY 2026	233,369	68,395	36,672	73,591	412,027	184,208

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, enrollment decreased through FY 2024. Enrollment has remained relatively flat, with a slight decrease overall through FY 2025 and through the first eight months of FY 2026.

Figure 3 — Medicaid Enrollment Two-Year Actual



FY 2027 FMAP Rates. The Bureau of Economic Analysis released final [State personal per capita income data](#) for 2024 on September 26, 2025. This allows states to calculate the final federal fiscal year (FFY) 2027 FMAP rates. The FFY 2027 FMAP rates are based on per capita personal incomes for calendar years 2022 through 2024. 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) 2027. Iowa's SFY 2027 FMAP rate increased by 0.34% to 63.17%. This means for every dollar spent on the Medicaid program, the federal government will pay \$0.6317 and Iowa will pay \$0.3683. The FMAP change is 0.02% more on a State fiscal year basis than the preliminary estimate that was released in March 2025.

The FMAP increase indicates that Iowa's per capita personal income has not done as well since 2022 compared to other states. This increase follows two consecutive years when the FMAP rate decreased. Prior to the 1.04% total decrease from FY 2024 to FY 2026, the rate increased 9.22% in total from FY 2017 to FY 2024.

Fiscal Impact. The 0.34% change in the FMAP rate means that the State will be responsible for an estimated \$17.6 million less in Medicaid expenditures in SFY 2027. **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 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%
FY 2027	63.17%	36.83%	0.34%

The Forecasting Group also meets to discuss revenues and expenditures for the Children's Health Insurance Program (CHIP) and agree on estimates for the current and upcoming fiscal years, as detailed in **Figure 5**. The Forecasting Group is estimating deficits for CHIP in FY 2026 and FY 2027 due to decreased carryforward and increased expenditures.

Figure 5 — CHIP Balance Sheet

	Actual FY 2025	Estimated FY 2026	Estimated FY 2027
CHIP Funding			
General Fund Appropriation	\$ 41,322,970	\$ 61,266,871	\$ 61,266,871
Carryforward from Previous Year	7,522,047	0	0
HPO Transfer	750,000	750,000	750,000
Medicaid Transfer	10,000,000	0	0
Total Funding	\$ 59,595,017	\$ 62,016,871	\$ 62,016,871
Total Expenditures	\$ 58,508,959	\$ 67,269,784	\$ 67,250,489
Balance (Underfunded if Negative)	\$ 1,086,058	\$ -5,252,913	\$ -5,233,618
Carryforward moved to Medicaid	\$ -1,086,058	\$ 0	\$ 0
Ending State Balance	\$ 0	\$ -5,252,913	\$ -5,233,618
HPO – Health Program Operations			

The HHS also forecasts State Supplementary Assistance (SSA), as detailed in **Figure 6**. The HHS is estimating surpluses for SSA in FY 2026 and FY 2027 that are smaller than recent years due to decreased carryforward and increased expenditures.

Figure 6 — SSA Balance Sheet

	Actual FY 2025	Estimated FY 2026	Estimated FY 2027
SSA Funding			
General Fund Appropriation	\$ 4,479,762	\$ 4,479,762	\$ 4,479,762
Carryforward from Previous Year*	6,297,524	0	0
Aging and Disability Services Transfer	1,269,240	1,269,240	1,269,240
Other	49,460	65,000	65,000
Total Funding	\$ 12,095,986	\$ 5,814,002	\$ 5,814,002
Total Expenditures	\$ 4,708,956	\$ 5,487,583	\$ 5,478,773
Balance (Underfunded if Negative)	\$ 7,387,030	\$ 326,419	\$ 335,229
Carryforward moved to Medicaid	\$ -7,387,030	\$ 0	\$ 0
Ending State Balance	\$ 0	\$ 326,419	\$ 335,229

* The SSA surplus in FY 2026 is not carried forward into FY 2027 because it will be rolled into the overall Medical Assistance appropriation carryforward, which is projected to have a deficit.

In the annual Health and Human Services Appropriations Bill, the Medical Assistance appropriation is used for Medicaid, CHIP, and SSA costs. **Figure 7** combines the forecasts for the three programs to show the potential impact to the General Fund appropriation.

Figure 7 — Medical Assistance Balance Sheet

	Actual FY 2025	Estimated FY 2026	Estimated FY 2027
General Fund Revenue			
Medicaid	\$ 1,605,063,804	\$ 1,837,804,073	\$ 1,837,804,073
CHIP	41,322,970	61,266,871	61,266,871
SSA	4,479,762	4,479,762	4,479,762
Total General Fund Appropriation	\$ 1,650,866,536	\$ 1,903,550,706	\$ 1,903,550,706
Additional Revenues	\$ 415,351,946	\$ 346,407,203	\$ 429,194,263
Prior Year Carryforward	\$ 306,032,325	\$ 99,897,419	\$ 0
Total Funding	\$ 2,372,250,807	\$ 2,349,855,328	\$ 2,332,744,969
Expenditures			
Medicaid	\$ 2,200,662,385	\$ 2,372,651,868	\$ 2,432,485,545
CHIP	58,508,959	67,269,784	67,250,489
SSA	4,708,956	5,487,583	5,478,773
Total Expenditures	\$ 2,263,880,301	\$ 2,445,409,235	\$ 2,505,214,807
Carryforwards moved to Medicaid	\$ -8,473,087	\$ 0	\$ 0
Ending State Balance	\$ 99,897,419	\$ -95,553,907	\$ -172,469,838

CHIP – Children’s Health Insurance Program SSA – State Supplementary Assistance

Note: Totals may not sum due to rounding.