



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

FROM: Louie Hoehle

DATE: October 16, 2026

October 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 October 1, 2026, to discuss estimated Medical Assistance (Medicaid) expenditures for fiscal year (FY) 2027 and FY 2028. 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**.

Final Fiscal Year 2026. Fiscal year 2026 ended with a \$28.5 million surplus above what was appropriated in 2025 Iowa Acts, [House File 1049](#) (FY 2026 Health and Human Services Appropriations Act), and 2026 Iowa Acts, [House File 2739](#) (Health Maintenance Organization Taxes, Supplemental Appropriations, and Transfers Act). Total Medicaid revenue increased by \$91.7 million compared to FY 2025. The change in revenue included a decrease of \$192.3 million in prior-year carryforward and an increase of \$321.7 million in General Fund moneys. House File 2739 provided an FY 2026 supplemental General Fund appropriation of \$89.0 million to the HHS for Medicaid. Total Medicaid expenditures increased by \$165.1 million compared to FY 2025. The increase in expenditures includes an increase in managed care organization (MCO) capitation rates, a decrease in Iowa's Federal Medical Assistance Percentage (FMAP), and legislative adjustments.

Fiscal Year 2027 Estimate. For FY 2027, the Forecasting Group estimates that Medicaid will have a deficit of \$296,000 considering total expenditures and the appropriations in 2026 Iowa Acts, [House File 2782](#) (FY 2027 Health and Human Services Appropriations Act). Total Medicaid revenue is estimated to increase by \$229.2 million compared to FY 2026. The change in estimated revenue is primarily due to a decrease of \$71.4 million in prior-year carryforward and an increase of \$299.4 million in MCO and health maintenance organization (HMO) insurance premium taxes. House File 2739 modified the MCO premium tax by directing all HMO insurance premium tax revenues to Medicaid and establishing a temporary health care-related tax of 3.5% on HMOs, including MCOs, from January 1, 2026, to September 30, 2026. The increase in the MCO premium tax can also be attributed to the timing of receipts, since revenues that were previously expected to be available in FY 2026 are now expected to be available in FY 2027. Total expenditures are estimated to increase by \$263.1 million compared to FY 2026. The change in estimated expenditures includes an increase in capitation rates, a small increase in Iowa's FMAP, and legislative adjustments.

Fiscal Year 2028 Estimate. For FY 2028, the Forecasting Group estimates that Medicaid will have a deficit of \$194.5 million. Total Medicaid revenue is estimated to decrease by \$303.2 million compared to estimated FY 2027. The change in estimated revenue includes a decrease of \$28.5 million in prior-year carryforward and a large decrease of \$264.5 million in MCO and HMO premium tax revenue due to the expiration of the temporary 3.5% tax. Total expenditures are estimated to decrease by \$109.2 million compared to estimated FY 2027. The change in estimated expenditures includes an increase in Iowa's FMAP and can also be attributed to the expiration of the temporary 3.5% tax on HMOs. The FY 2028 estimate does not include any capitation rate increases.

Figure 1 — Medicaid Balance Sheet

	Actual FY 2026	Estimated FY 2027	Estimated FY 2028
Medicaid Funding			
Carryforward from Previous Year	\$ 99,897,419	\$ 28,510,547	\$ 0
Health Care Trust Fund	147,697,768	135,000,000	130,333,333
Quality Assurance Trust Fund	96,113,988	111,216,205	111,216,205
Hospital Health Care Access Trust Fund	33,182,546	33,920,554	33,920,554
MCO/HMO Premium Tax	73,158,358	372,518,578	108,051,715
Medicaid Fraud Fund	217,721	150,000	150,000
Behavioral Health Fund	0	5,580,938	0
Decategorization Transfer	211,731	0	0
Total Non-General Fund Sources	\$ 450,479,530	\$ 686,896,822	\$ 383,671,808
General Fund Appropriation	\$ 1,837,804,073	\$ 1,919,596,113	\$ 1,919,596,113
General Fund Supplemental	89,000,000	0	0
Total General Fund Sources	\$ 1,926,804,073	\$ 1,919,596,113	\$ 1,919,596,113
Total Medicaid Funding	\$ 2,377,283,603	\$ 2,606,492,935	\$ 2,303,267,921
Estimated State Medicaid Need	\$ 2,158,057,299	\$ 2,485,526,482	\$ 2,562,651,004
FMAP Changes	29,040,932	-12,890,568	-63,872,926
MCO Capitation Rate Increase	135,524,376	149,038,246	0
Nursing Facility Rebase	20,000,000	0	0
Intermittent Community-Based Services	3,050,000	0	0
Dental Rate Increase	2,136,304	0	0
Maternal Health Rate Adjustment	420,000	0	0
Prosthetics Rate Increase	100,000	0	0
CCBHC Increased Federal Reimbursement	-3,000,000	0	0
NF Renovation and Construction Decrease	-800,000	0	0
Personal Needs Allowance \$5 Increase	330,513	0	0
Ambulatory Surgical Center Rate Increase	0	1,167,867	0
HCBS Elderly Waiver Rate Increase	0	3,000,000	0
Special Population NF Rate Adjustment	0	333,000	0
SF 2422 Retroactive Eligibility	0	-337,516	0
Cost Containment	0	-17,888,968	0
Total Estimated Medicaid Need	\$ 2,344,859,425	\$ 2,607,948,543	\$ 2,498,778,078
Balance (Underfunded if Negative)	\$ 32,424,179	\$ -1,455,608	\$ -195,510,157
Transfers between Medicaid, CHIP, and SSA	\$ -3,913,631	\$ 1,159,702	\$ 975,844
Ending State Balance	\$ 28,510,547	\$ -295,905	\$ -194,534,313

MCO – Managed Care Organization

FMAP – Federal Medical Assistance Percentage

NF – Nursing Facility

CHIP – Children's Health Insurance Program

HMO – Health Maintenance Organization

CCBHC – Certified Community Behavioral Health Clinic

HCBS – Home and Community-Based Services

SSA – State Supplementary Assistance

Note: Totals may not sum due to rounding.

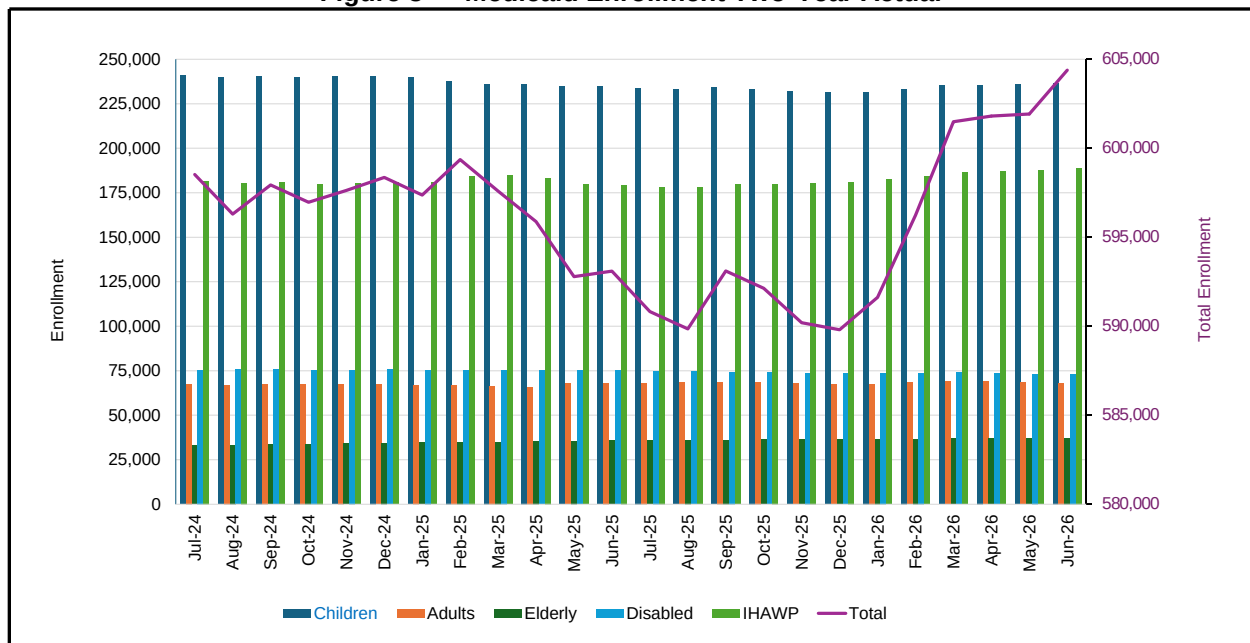
Medicaid Enrollment. The Medicaid program saw a large increase in enrollment after March 2020 as a result of suspending disenrollment. However, with the end of the public health emergency (PHE) in April 2023, enrollment decreased through FY 2024. In FY 2025, Medicaid and Iowa Health and Wellness Plan (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 for FY 2026. Through FY 2026, enrollment increased compared to FY 2025 and averaged an increase of 140 individuals per month for traditional Medicaid. Enrollment in IHAWP increased overall and averaged an increase of 801 individuals per month. Total enrollment increased by 11,294 individuals for the two programs combined.

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
March	1,947	644	223	363	3,177	2,074
April	290	-8	-26	-533	-277	600
May	117	-693	216	-258	-618	735
June	967	-68	219	-27	1,091	1,372
Total FY 2026	1,904	21	1,648	-1,888	1,685	9,609
Grand Total FY 2026	236,690	68,270	37,304	73,136	415,400	188,989

Figure 3 shows monthly Medicaid enrollment over the past two years. In FY 2025, enrollment remained relatively flat, with a slight decrease overall toward the end of the fiscal year. In FY 2026 enrollment increased, with the majority coming from IHAWP.

Figure 3 — Medicaid Enrollment Two-Year Actual



FY 2028 FMAP Rates. The Bureau of Economic Analysis released final [State personal per capita income data](#) for 2025. This allows states to calculate the final federal fiscal year (FFY) 2028 FMAP rates. The FFY 2028 FMAP rates are based on per capita personal incomes for calendar years 2023 through 2025. 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) 2028. Iowa's SFY 2028 FMAP rate increased by 1.37% to 64.55%. This means for every dollar spent on the Medicaid program, the federal government will pay \$0.65 and Iowa will pay \$0.35. The FMAP change is 0.74% more on a State fiscal year basis than the preliminary estimate that was released in April 2026.

The FMAP increase indicates that Iowa's per capita personal income has not done as well since 2023 compared to other states. This is the second year in a row that the FMAP has increased, following two years in which 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 1.37% change in the FMAP rate means that the State will be responsible for an estimated \$63.9 million less in Medicaid expenditures in SFY 2028. **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 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%
FY 2028	64.55%	35.46%	1.37%

Children’s Health Insurance Program Forecast. 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 a surplus for CHIP in FY 2027 and FY 2028 due to recent increases to the General Fund allocation for CHIP and Iowa’s increased FMAP. The FY 2027 estimate includes capitation rate increases, while the FY 2028 estimate does not.

Figure 5 — CHIP Balance Sheet

	Actual FY 2026	Estimated FY 2027	Estimated FY 2028
CHIP Funding			
General Fund Appropriation	\$ 61,266,871	\$ 68,474,831	\$ 68,474,831
Carryforward from Previous Year*	0	0	1,808,710
Health Program Operations Transfer	750,000	750,000	750,000
Total Funding	\$ 62,016,871	\$ 69,224,831	\$ 71,033,541
Total Expenditures	\$ 67,315,960	\$ 67,416,121	\$ 65,819,221
Balance (Underfunded if Negative)	\$ -5,299,089	\$ 1,808,710	\$ 5,214,320
Medicaid Transfer	\$ 5,299,089	\$ 0	\$ 0
Ending State Balance	\$ 0	\$ 1,808,710	\$ 5,214,320

State Supplementary Assistance Forecast. The HHS also forecasts State Supplementary Assistance (SSA), as detailed in **Figure 6**. The HHS is estimating surpluses for SSA in FY 2027 and FY 2028 that are smaller than recent years due to increased expenditures.

Figure 6 — SSA Balance Sheet

	Actual FY 2026	Estimated FY 2027	Estimated FY 2028
SSA Funding			
General Fund Appropriation	\$ 4,479,762	\$ 4,479,762	\$ 4,479,762
Carryforward from Previous Year*	0	0	0
Aging and Disability Services Transfer	1,269,240	1,269,240	1,269,240
Other	0	65,000	65,000
Total Funding	\$ 5,749,002	\$ 5,814,002	\$ 5,814,002
Total Expenditures	\$ 4,363,544	\$ 4,654,300	\$ 4,838,158
Balance (Underfunded if Negative)	\$ 1,385,458	\$ 1,159,702	\$ 975,844

* The SSA ending balance is not carried forward because it will be rolled into the overall Medical Assistance appropriation carryforward.

Medical Assistance Forecast. 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 2026	Estimated FY 2027	Estimated FY 2028
General Fund Revenue			
Medicaid	\$1,926,804,073	\$1,919,596,113	\$1,919,596,113
CHIP	61,266,871	68,474,831	68,474,831
SSA	4,479,762	4,479,762	4,479,762
Total General Fund Appropriation	\$1,992,550,706	\$1,992,550,706	\$1,992,550,706
Additional Revenues	\$ 352,601,352	\$ 660,470,515	\$ 385,756,048
Prior Year Carryforward	\$ 99,897,419	\$ 28,510,547	\$ 1,512,805
Total Funding	\$2,445,049,476	\$2,681,531,768	\$2,379,819,559
Expenditures			
Medicaid	\$2,344,859,425	\$2,607,948,543	\$2,498,778,078
CHIP	67,315,960	67,416,121	65,819,221
SSA	4,363,544	4,654,300	4,838,158
Total Expenditures	\$2,416,538,929	\$2,680,018,963	\$2,569,435,457
Ending State Balance	\$ 28,510,548	\$ 1,512,805	\$ -189,615,898

CHIP – Children's Health Insurance Program

SSA – State Supplementary Assistance

Note: Totals may not sum due to rounding.