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

FROM: Jess Benson

DATE: April 4, 2015

Monthly Medicaid Forecast – March 2014

Forecasting Group. Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the LSA met on March 28, 2014, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2014 and FY 2015. The forecasting group meets regularly to discuss estimated expenditures and agree on a range for the current and upcoming fiscal years.

Medicaid Balance Sheet

	Actual FY 2013	*Estimated FY 2014*	*Estimated FY 2015*
Medicaid Funding			
Carryforward from Previous Year	$ 15,337,099	$ 10,030,023	$ 0
Veterans Home Transfer	3,533,208	0	0
Behavioral Health Account Carryforward	1,515,463	0	0
MH Risk Pool Carryfoward	4,736,918	1,839,294	0
Health Care Transformation Account	8,280,632	0	0
Palo Tax	2,409,390	1,167,464	1,167,464
Health Care Trust Fund	106,046,400	222,760,000	221,790,000
Nursing Facility Quality Assurance Fund	26,500,000	28,788,917	29,195,653
Hospital Trust Fund	33,368,452	34,288,000	34,700,000
hawk-i Performance Bonus	11,586,323	10,857,652	0
Medicaid Fraud Fund	0	8,741,325	2,422,695
MHDS Redesign Funds	228,321,582	0	0
Total Non-General Fund for Medicaid	**$ 441,635,467**	**$ 318,472,675**	**$ 289,275,812**
General Fund Appropriation	**$ 975,956,421**	**$ 1,135,293,332**	**$ 1,135,293,332**
Total Medicaid Funding	**$ 1,417,591,888**	**$ 1,453,766,007**	**$ 1,424,569,144**
Total Estimated State Medicaid Need	$ 1,396,408,430	$ 1,423,268,881	$ 1,509,300,874
FMAP Changes	33,734,962	52,556,122	79,120,038
Changes Related to ACA	0	748,199	-10,686,254
Eliminate IowaCare Transfer	0	0	-11,921,225
Cost Reductions (BIP, STD Assessment)	0	-4,000,000	0
Health Home Savings	0	0	-9,135,935
Balancing Incentive Program	-17,800,000	-1,049,597	-1,108,354
Cost Containment	-8,676,000	-28,910,009	0
County Billing Write-offs	955,235	-955,235	0
Woodwork/Welcome Mat (group midpoint)	0	4,000,000	22,000,000
Nursing Facility Rebase	0	15,268,148	0
Home Health Increase	761,348	2,765,655	0
HCBS Waiver Increase	2,177,890	9,308,335	0
All Other Provider Increases	0	4,765,508	0
Total Estimated Medicaid Need	$ 1,407,561,865	$ 1,477,766,007	$ 1,577,569,144
Midpoint of Balance/(Under Funded)	**$ 10,030,023**	**$ -24,000,000**	**$ -153,000,000**

MHDS - Mental Health and Disability Services
FMAP - Federal Medical Assistance Percentage
HCBS - Home and Community-Based Services
ACA - Affordable Care Act

FY 2014 Range. For FY 2014, the group agreed Medicaid will have a need of $12.0 million to $36.0 million, with a midpoint need of $24.0 million. The reduction in range is mainly due to changes in revenue and savings related to cost delays for the Balancing Incentive Program and the new standardized assessments. The range includes the following savings and expenditures enacted in SF 446 (Health Human Services Appropriations Act):

- An increase of $246.1 million to move Mental Health Medicaid funds previously funded under a separate appropriation to Medicaid.
- An increase of $52.6 million to replace federal funds due to a reduction in the Federal Medical Assistance Percentage Match (FMAP) rate.
- An increase of $34.0 million to replace one-time funding sources and other revenue changes from FY 2013.
- An increase of $15.3 million to rebase nursing facilities.
- An increase of $9.0 million to cover the cost of individuals currently eligible for Medicaid that will enroll as part of Medicaid Expansion.
- An increase of $7.1 million for a 3.0% provider rate increase for Home and Community-Based Services (HCBS) waiver providers.
- An increase of $4.5 million to provide a 1.0% provider rate increase for all providers with the exception of HCBS, nursing facilities, ambulance, and home health services.
- An increase of $2.7 million to increase provider rates for home health services and reimburse them using the Lower Utilization Payment Adjustment (LUPA) methodology.
- An increase of $1.0 million to repeal the site of services cost containment measure implemented in FY 2013.
- An increase of $750,000 for primary care physician rates, as required by the federal Affordable Care Act.
- An increase of $300,000 to reimburse HCBS provider training costs as a direct cost on the cost report beginning January 1, 2014.
- An increase of $227,000 to increase ambulance reimbursement rates by 10.0%.
- An increase of $221,000 to provide coverage to foster children up to the age of 26, as required by the federal Affordable Care Act.
- A decrease of $16.3 million due to shifting Medicaid for Employed Persons with Disabilities (MEPD), Dependent Persons, and Pregnant Women to other coverage beginning January 1, 2014.
- A decrease of $28.9 million to implement select cost containment initiatives recommended by the Governor, except for the one relating to chiropractors and home health.
- A decrease of $61.0 million to adjust for the FY 2013 supplemental appropriation.
- A decrease of $118.4 million to shift funding to the Health Care Trust Fund.

FY 2015 Range. For FY 2015, the group agreed Medicaid will have a need of $123.0 million to $183.0 million, with a midpoint need of $153.0 million. The range includes the following savings and expenditures enacted in SF 446:

- An increase of $79.1 million to replace federal funds due to a reduction in the FMAP rate.
- An increase of $25.6 million to replace one-time funding sources and other revenue changes from FY 2014.

- An increase of $22.0 million to cover the cost of individuals currently eligible for Medicaid that will enroll as part of Medicaid Expansion.
- An increase of $4.2 million to increase primary care physician rates, as required by the Affordable Care Act.
- An increase of $1.4 million to provide coverage to foster children up to the age of 26, as required by the Affordable Care Act.
- A decrease of $1.1 million due to savings from the Balancing Incentive Payment Program.
- A decrease of $9.1 million due to savings from the implementation of Health Homes for both children and adults.
- A decrease of $11.9 million due to the elimination of the transfer to the IowaCare Program that ends during FY 2014.
- A decrease of $16.3 million due to shifting MEPD, Dependent Persons, and Pregnant Women to other coverage.

Enrollment Increase. Medicaid enrollment continues to grow, but at a slower pace than the past several years. In FY 2010, the Program added an additional 27,164 individuals, including 19,286 children. In FY 2011, the Program added 13,735 individuals, including 8,704 children. In FY 2012, the Program added 10,526 individuals, including 7,630 children. For FY 2013, Program growth slowed to 1.3%, adding only 5,215 individuals. In the first nine months of FY 2014, enrollment grew by 4,368 individuals, for a total enrollment of 406,445.

Medicaid Enrollment Increases/(Decreases) for FY 2014

FY 2014	Children	Adults	Aged	Disabled	Total
July	1,469	253	80	248	2,050
August	-394	-78	68	214	-190
September	2,195	683	183	313	3,374
October	-471	-502	53	121	-799
November	-567	-537	-7	143	-968
December	305	-152	49	145	347
January	-1,793	-1,112	-112	-251	-3,268
February	72	1,031	-82	-35	986
March	713	1,711	107	305	2,836
Total FY 2014	1,529	1,297	339	1,203	4,368
Grand Total	232,886	63,127	30,955	79,477	406,445

Iowa Health and Wellness Program (I-HAWP) Enrollment. The new Iowa Health and Wellness Program began on January 1, 2014. The Program is paid for with 100.0% federal dollars for the first three years. The enrollment through three months of the Program was 83,880, with 66,703 of those individuals enrolled in the Wellness Plan. A total of 478 individuals went to a hospital and were determined to be presumptive eligible until they are officially enrolled in the Program.

I-HAWP Enrollment Increases/(Decreases) for FY 2014

FY 2014	Marketplace Choice Plan	Wellness Plan	Presumptive Eligible	Total
January	11,158	50,285	325	61,768
February	2,746	7,644	57	10,447
March	2,795	8,774	96	11,665
Grand Total	16,699	66,703	478	83,880

FY 2015 FMAP. The Bureau of Economic Analysis released their preliminary state personal per capita income data for 2013 on March 25, 2014. This allowed states to calculate their FY 2016 FMAP rates. The FY 2016 FMAP rates are based on per capita personal incomes for calendar years 2011-2013. Iowa's FY 2016 FMAP rate declined significantly dropping by 1.49% to 54.65%. The FMAP decrease also indicates that Iowa's economy is doing better compared to other states, resulting in a smaller share of the total FMAP pie for Iowa. Iowa's FMAP rate has declined 8.2% since FY 2012 and this shift means several hundred million dollars of Medicaid expenditures are shifted from the federal government to Iowa.

Five Year State Regular Medicaid FMAP

State Fisal Year	Federal Share	State Share	Federal % Change
FY 2012	61.19%	38.81%	-1.66%
FY 2013	59.87%	40.13%	-1.32%
FY 2014	58.35%	41.65%	-1.53%
FY 2015	56.14%	43.86%	-2.21%
FY 2016	54.65%	45.35%	-1.49%