



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

FROM: Jess Benson

DATE: April 8, 2015

## Monthly Medicaid Forecast – March 2015

**Forecasting Group.** Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on March 27, 2015, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2015 and FY 2016. The forecasting group meets regularly to discuss revenues and expenditures and agree on an estimate for the current and upcoming fiscal years.

<b>Medicaid Balance Sheet</b>			
	<i>Actual</i> <u>FY 2014</u>	<i>Estimated</i> <u>FY 2015</u>	<i>Estimated</i> <u>FY 2016</u>
<b>Medicaid Funding</b>			
Carryforward from Previous Year	\$ 10,030,023	\$ 0	\$ 0
MH Risk Pool Carryforward	1,839,294	0	0
Health and Wellness Funds	0	0	0
MHDS Redesign Funds	0	0	0
Palo Tax	1,004,356	1,379,442	1,216,383
Health Care Trust Fund	225,591,447	221,790,000	221,790,000
Nursing Facility Quality Assurance Fund	28,788,917	29,195,653	29,195,653
Hospital Trust Fund	34,253,871	34,700,000	34,700,000
hawk-i Performance Bonus	10,857,652	177,017	0
Medicaid Fraud Fund	8,717,020	2,422,695	0
Appropriation Transfers	15,314,423	0	0
Magellan Revenue	8,700,000	0	0
<b>Total Non-General Fund for Medicaid</b>	<b>\$ 345,097,003</b>	<b>\$ 289,664,807</b>	<b>\$ 286,902,036</b>
<b>General Fund Appropriation</b>	<b>\$ 1,135,293,332</b>	<b>\$ 1,250,658,393</b>	<b>\$ 1,250,658,393</b>
<b>Total Medicaid Funding</b>	<b>\$ 1,480,390,335</b>	<b>\$ 1,540,323,200</b>	<b>\$ 1,537,560,429</b>
<b>Total Estimated State Medicaid Need</b>			
FMAP Changes	\$ 1,434,393,209	\$ 1,550,813,992	\$ 1,647,654,995
Changes Related to ACA	52,556,122	79,120,038	56,105,434
Eliminate IowaCare Transfer	748,199	-10,686,254	0
Eliminate IowaCare Transfer	0	-11,921,225	0
Cost Reductions (BIP, STD Assessment)	-4,000,000	0	0
Health Home Savings	0	-9,135,935	0
Balancing Incentive Program	-1,049,597	-1,108,354	0
Cost Containment	-28,910,009	0	0
County Billing Write-offs	-955,235	0	0
Nursing Facility Rebase	15,268,148	1,250,000	32,500,000
Home Health Rebase	2,765,655	0	3,900,000
Hospital Rebase	0	0	5,400,000
Hospital Inpatient Psych Cost-Based Adj.	0	0	1,000,000
HCBS Waiver Increase	9,308,335	6,000,000	0
Miller Trust 125.0% of Statewide Average	0	252,000	0
All Other Provider Increases	4,765,508	238,938	0
Transfers not made in FY 2014	-4,500,000	4,500,000	0
<b>Total Estimated Medicaid Need</b>	<b>\$ 1,480,390,335</b>	<b>\$ 1,609,323,200</b>	<b>\$ 1,746,560,429</b>
<b>Midpoint of Balance/(Under Funded)</b>	<b>\$ 0</b>	<b>\$ -69,000,000</b>	<b>\$ -209,000,000</b>
<small>BIP - Balancing Incentive Payment Program    HCBS - Home and Community-Based Services  FMAP - Federal Medical Assistance Percentage    ACA - Affordable Care Act</small>			

**FY 2015 Estimate.** For FY 2015, the group agreed Medicaid will have a need of \$69.0 million. The estimate includes the following savings and expenditures enacted in [HF 2463 \(FY 2015 Health and Human Services Appropriations Act\)](#):

- An increase of \$79.1 million to replace federal funds due to a reduction in the Federal Medical Assistance Percentage (FMAP) rate.
- An increase of \$25.6 million to replace one-time funding sources and other revenue changes from FY 2014.
- An increase of \$6.0 million to reduce the Home and Community-Based Services Waiver waiting list.
- An increase of \$3.1 million to fund the higher pharmacy dispensing fee survey.
- An increase of \$2.5 million to increase primary care physician rates.
- An increase of \$2.0 million for the cost of Hepatitis C drugs.
- 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.
- An increase of \$1.3 million to rebase the nursing facility reimbursement rates.
- An increase of \$252,000 to increase eligibility for the Miller Trust to 125.0% of the statewide average.
- An increase of \$239,000 to provide a 10.0% increase for ambulance reimbursement rates.
- 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 Medicaid for Employed Persons with Disabilities (MEPD), Dependent Persons, and Pregnant Women to other coverage.

**FY 2016 Estimate.** For FY 2016, the group agreed Medicaid will have a need of \$209.0 million. The estimate includes the full cost of rebasing nursing facilities, hospitals, and home health services, all of which the General Assembly may choose to rebase at a lower level.

- An increase of \$69.0 million to fund the projected shortfall in FY 2015.
- An increase of \$56.1 million to replace federal funds due to a reduction in the FMAP rate. The FMAP adjustment includes a \$34.4 million increase due to a reduction of the regular FMAP, a \$15.1 million dollar increase due to the reduction of the Balancing Incentive Payment (BIP) Program enhanced FMAP rate, and a \$6.6 million increase due to a reduction of Health Home enhanced FMAP rate.
- An increase of \$32.5 million to rebase nursing facilities.
- An increase of \$5.4 million to fund the hospital rebase.
- An increase of \$3.4 million to fund the home health services Lower Upper Payment Limit (LUPA) adjustment.
- An increase of \$1.0 million to fund the hospital inpatient psychiatric cost-based adjustment.
- An increase of \$2.5 million to increase primary care physician rates.
- An increase of \$2.0 million for the cost of Hepatitis C drugs.
- A decrease of \$5.0 million due to savings from the implementation of health homes for both children and adults.

**Medicaid Enrollment.** For FY 2014, enrollment grew by 1.6% adding 6,279 individuals, for a total enrollment of 408,356. In the first nine months of FY 2015, Medicaid enrollment declined by 169 individuals, for a total Program enrollment of 408,187 individuals.

<b>Medicaid Enrollment Increases/(Decreases) for FY 2015</b>					
FY 2015	Children	Adults	Aged	Disabled	Total
July	-2,482	-886	-6	-82	-3,456
August	-1,459	-479	12	-1	-1,928
September	2,030	408	109	99	2,646
October	-255	-255	20	5	-485
November	-101	-262	-16	52	-327
December	-477	-426	0	33	-870
January	-1,463	-1,122	-219	145	-2,659
February	1,320	659	-71	203	2,111
March	3,443	947	41	367	4,798
Total FY 2015	556	-1,416	-130	821	-169
Grand Total	233,508	63,260	30,906	80,513	408,187

**Iowa Health and Wellness Program (I-HAWP) Enrollment.** The new I-HAWP Program began on January 1, 2014. The Program is paid for with 100.0% federal funds for the first three years. The enrollment through the first fiscal year (FY 2014) was 110,533, with 86,270 of those individuals enrolled in the Wellness Plan. For the first nine months of FY 2015, enrollment has increased by 12,266. Individuals enrolled in both the Iowa Wellness Plan and the Marketplace Choice Plan may be determined medically exempt by the DHS and provided coverage through the regular Medicaid State Plan if they meet certain requirements. As of February 2015, there were 12,266 Medically Exempt individuals.

<b>I-HAWP Enrollment Increases/(Decreases) for FY 2015</b>					
FY 2015	Marketplace Choice Plan	Wellness Plan	Presumptive Eligible	Total	Medically Exempt
July	721	-88	135	768	9,376
August	802	364	132	1,298	293
September	1,206	1,343	125	2,674	157
October	812	248	-2	1,058	371
November	1,121	267	-21	1,367	2,237
December	1,511	2,018	48	3,577	-69
January	-300	-923	86	-1,137	-559
February	1,137	2,673	-45	3,765	18
March	1,441	3,638	-182	4,897	442
Total FY 2015	8,451	9,540	276	18,267	12,266
Grand Total	32,255	95,810	735	128,800	12,266

**Home and Community-Based Services (HCBS) Waivers.** The Medicaid HCBS Waivers provide support services to 26,639 individuals, helping them to stay in their homes instead of living in a facility. In FY 2014, the State spent \$244.9 million on the seven HCBS waivers, with the majority (\$183.8 million) being spent on the Intellectual Disabilities Waiver.

Below is a chart of the current enrollment on the waivers, slots pending, and the number of individuals on the waiting list for each waiver. Individuals may apply for more than one waiver so there may be duplicate individuals on the waiting list. Individuals apply for the waivers before they go through the eligibility process, so there may be individuals on the waiting list that are not eligible, are no longer eligible, or circumstances have changed and waiver services are no longer needed.

<b>Home and Community-Based Services Waivers</b>			
<b>February 2015</b>			
	<b>Waiver</b>		
	<b>Enrollment</b>	<b>Slots Pending</b>	<b>Waiting List</b>
Intellectual Disabilities	12,670	0	0
Elderly	8,437	0	0
Health and Disability	2,051	695	457
Brain Injury	1,200	246	3,441
Children's Mental Health	726	438	1,196
Physical Disability	707	496	1,969
AIDS	29	0	2,638
<b>Total</b>	<b>25,820</b>	<b>1,875</b>	<b>9,701</b>

**FY 2016 FMAP.** The Bureau of Economic Analysis released their preliminary state personal per capita income data for 2014 on March 25, 2015. This allowed states to calculate their preliminary FY 2017 FMAP rates. The FY 2017 FMAP rates are based on per capita personal incomes for calendar years 2012-2014. Iowa's preliminary FY 2017 FMAP rate increased by 0.55% to 55.58%. This is only a preliminary calculation and final per capita income data will be available at the end of September.

<b>Five-Year State Regular Medicaid FMAP</b>			
<b>State Fiscal Year</b>	<b>Federal Share</b>	<b>State Share</b>	<b>Federal % Change</b>
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	55.07%	44.93%	-1.07%
FY 2017	55.58%	44.42%	0.51%

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