



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

FROM: Jess Benson

DATE: May 14, 2015

Monthly Medicaid Forecast – April 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 May 1, 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.

Medicaid Balance Sheet			
	<i>Actual</i> <u>FY 2014</u>	<i>Estimated</i> <u>FY 2015</u>	<i>Estimated</i> <u>FY 2016</u>
Medicaid Funding			
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	223,060,000	222,100,000
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	500,000	0
Appropriation Transfers	15,314,423	0	0
Magellan Revenue	8,700,000	0	0
Total Non-General Fund for Medicaid	\$ 345,097,003	\$ 289,012,112	\$ 287,212,036
General Fund Appropriation	\$ 1,135,293,332	\$ 1,250,658,393	\$ 1,250,658,393
Total Medicaid Funding	\$ 1,480,390,335	\$ 1,539,670,505	\$ 1,537,870,429
Total Estimated State Medicaid Need			
FMAP Changes	\$ 1,434,393,209	\$ 1,557,161,297	\$ 1,658,964,995
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
Total Estimated Medicaid Need	\$ 1,480,390,335	\$ 1,615,670,505	\$ 1,757,870,429
Midpoint of Balance/(Under Funded)	\$ 0	\$ -76,000,000	\$ -220,000,000
<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 \$76.0 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 \$220.0 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 10 months of FY 2015, Medicaid enrollment increased by 3,193 individuals, for a total Program enrollment of 411,549 individuals.

Medicaid Enrollment Increases/(Decreases) for FY 2015					
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
April	2,844	389	-44	173	3,362
Total FY 2015	3,400	-1,027	-174	994	3,193
Grand Total	236,352	63,649	30,862	80,686	411,549

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 dollars 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 10 months of FY 2015, enrollment has increased by 21,967. 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 April 2015, there were 15,206 Medically Exempt individuals.

I-HAWP Enrollment Increases/(Decreases) for FY 2015					
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
April	992	2,933	-225	3,700	2,940
Total FY 2015	9,443	12,473	51	21,967	15,206
Grand Total	33,247	98,743	510	132,500	15,206

Home and Community-Based Services (HCBS) Waivers. The Medicaid HCBS Waivers provide support services to 25,676 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 due to a change in circumstances no longer need waiver services.

Home and Community-Based Services Waivers			
March 2015			
	Waiver		
	Enrollment	Slots Pending	Waiting List
Intellectual Disabilities	12,635	0	543
Elderly	8,353	0	0
Health and Disability	2,030	743	3,482
Brain Injury	1,195	270	1,203
Children's Mental Health	737	457	1,994
Physical Disability	697	548	2,648
AIDS	29	0	0
Total	25,676	2,018	9,870

FY 2016 FMAP. The Bureau of Economic Analysis released their final state personal per capita income data for 2013 on September 30, 2014. This allowed states to calculate their final 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 1.07% to 55.07%. 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 7.8% since FY 2012 and this shift means several hundred million dollars of Medicaid expenditures are shifted from the federal funding to state funding.

Ten-Year State Regular Medicaid FMAP			
State	Federal	State	Federal %
Fiscal Year	Share	Share	Change
FY 2007	62.39%	37.61%	-1.21%
FY 2008	61.79%	38.21%	-0.59%
FY 2009	62.40%	37.60%	0.60%
FY 2010	63.29%	36.71%	0.89%
FY 2011	62.85%	37.15%	-0.44%
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	55.07%	44.93%	-1.07%

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