



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

FROM: Jess Benson

DATE: December 23, 2015

Monthly Medicaid Forecast – December 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 December 22, 2015, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2016 and FY 2017. 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 FY2015</i>	<i>Estimated FY2016</i>	<i>Estimated FY2017</i>
Medicaid Funding			
Palo Tax	\$ 1,379,442	\$ 980,730	\$ 980,730
Health Care Trust Fund	223,277,860	221,290,000	219,890,000
Nursing Facility Quality Assurance Fund	29,195,653	37,205,208	36,705,208
Hospital Trust Fund	34,570,769	34,700,000	34,700,000
hawk-i Performance Bonus	177,017	0	0
Medicaid Fraud Fund	392,810	500,000	500,000
Deappropriations from various DHS approps	15,828,136	0	0
CHIP Contingency	919,114	0	0
Food Assistance Bonus Funds	0	2,000,000	0
Appropriation Transfers/Carryforward	12,964,476	31,359,091	0
Total Non-General Fund for Medicaid	\$ 318,705,277	\$ 328,035,029	\$ 292,775,938
General Fund Appropriation	1,250,658,393	1,303,191,564	1,303,191,564
General Fund Supplemental	43,000,000	0	0
Total All General Fund Sources	\$ 1,293,658,393	\$ 1,303,191,564	\$ 1,303,191,564
Total Medicaid Funding	\$ 1,612,363,670	\$ 1,631,226,593	\$ 1,595,967,502
Total Estimated State Medicaid Need	\$ 1,534,793,632	\$ 1,690,268,299	\$ 1,749,228,243
FMAP Changes	79,120,038	56,105,434	-45,565,523
Health and Wellness Program Expenditures	0	0	17,142,483
Managed Care savings	0	-29,000,000	-51,136,508
Iowa Plan Contract Recovery	0	-4,000,000	0
Enhanced FMAP Expirations (BIP, Health Home)	0	0	14,798,807
Cost Containment	0	-6,000,000	0
Eliminate MHI Transfer Clarinda/Mt. Pleasant	0	-7,729,892	0
Expand gero-psych capacity	0	1,765,119	0
Nursing Facility Rebase	1,250,000	17,030,405	0
Home Health Rebase	0	1,000,000	0
Hospital Inpatient Psych Cost-Based Adj.	0	1,000,000	0
UIHC DSH Adjustment	-2,800,000	-1,712,772	0
HCBS Provider Rate Increase	0	1,000,000	0
Total Estimated Medicaid Need	\$ 1,612,363,670	\$ 1,719,726,593	\$ 1,684,467,502
Midpoint of Balance/(Under Funded)	\$ 0	\$ -88,500,000	\$ -88,500,000
BIP - Balancing Incentive Payment Program	ACA - Affordable Care Act		
FMAP - Federal Medical Assistance Percentage	HCBS - Home and Community Based Services		

FY 2016 Estimate. For FY 2016, the group agreed Medicaid will have a shortfall of \$88.5 million. The major factors in the shortfall include:

- An increase of \$46.2 million as a result of Medicaid being underfunded in [SF 505 \(FY 2016 Health and Human Services Appropriations Act\)](#). This includes a \$3.0 million contract adjustment for Integrated Health Homes.
- An increase of \$14.0 million as a result of the delayed transition to managed care. The transition is now scheduled to begin on March 1, 2015.
- An increase of \$11.6 million due to year end FY 2015 expenditures finishing higher than the forecasting group projected at the end of session.
- An increase of \$7.0 million due to delays in receiving approval from the Center for Medicaid Services (CMS) for an FY 2015 rate adjustment. The Iowa Plan rate adjustment will be paid in FY 2016.
- An increase of \$4.0 million due to a revised reimbursement methodology by the Department for pharmacies. Pharmacies will now continue to receive the same reimbursement following the transition to managed care.
- An increase of \$3.9 million to account for current spending and enrollment trends.
- An increase of \$3.6 million for Medicare Part B premiums for individuals eligible for both Medicare and Medicaid.
- An increase of \$1.9 million as a result of a change in how the Department plans to reimburse Federally Qualified Health Centers (FQHC) following the transition to managed care. The FQHCs will continue to receive cost settlements.
- An increase of \$1.0 million due to reduced revenues projected from the Health Care Trust Fund and from the Palo Replacement Generation Tax.
- A decrease of \$4.7 million due to additional carryforward that was transferred to the Medicaid appropriation at the end of FY 2015.

FY 2017 Estimate. For FY 2017, the group agreed Medicaid will have a need of \$88.5 million compared to anticipated revenues. The estimate includes the following changes in revenues and expenditures compared to FY 2016:

- An increase of \$35.3 million due to various reductions in one-time and ongoing revenues.
- An increase of \$18.0 million due to increases in enrollment, other cost of services, and other program changes.
- An increase of \$16.3 million to reflect the phase-down of the enhanced federal match rate from 100.0% to 95.0% beginning January 1, 2017, for the Iowa Health and Wellness Program.
- An increase of \$14.8 million due to the phase-out of enhanced FMAP rates from the Balancing Incentive Payment Program and Integrated Health Homes.
- An increase of \$8.0 million due to a revised reimbursement methodology by the Department for pharmacies. Pharmacies will now continue to receive the same reimbursement following the transition to managed care.
- An increase of \$3.8 million as a result of a change in how the Department plans to reimburse FQHCs following the transition to managed care. The FQHCs will continue to receive cost settlements.
- A decrease of \$45.6 million as a result of additional federal funds due an increase in the FMAP rate.
- A decrease of \$51.1 million due to annualized savings related to managed care implementation.

Medicaid Enrollment. For FY 2015, enrollment grew by 0.7% adding 2,903 individuals, for a total enrollment of 411,259. In the first five months of FY 2016, Medicaid enrollment increased by 5,113 individuals, for a total Program enrollment of 416,372 individuals.

Table 1

Medicaid Enrollment Increases/(Decreases) for FY 2016					
<u>FY 2016</u>	<u>Children</u>	<u>Adults</u>	<u>Aged</u>	<u>Disabled</u>	<u>Total</u>
	236,576	62,844	30,931	80,908	411,259
July	385	134	-4	106	621
August	2,230	625	92	227	3,174
September	341	-6	-7	-163	165
October	427	-482	42	-88	-101
November	1,224	190	51	-211	1,254
Total FY 2016	<u>4,607</u>	<u>461</u>	<u>174</u>	<u>-129</u>	<u>5,113</u>
Grand Total	<u>241,183</u>	<u>63,305</u>	<u>31,105</u>	<u>80,779</u>	<u>416,372</u>

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. In FY 2015, enrollment increased by 27,573 for a total enrollment of 138,106. In the first five months of FY 2016, enrollment increased by 7,900 individuals for total enrollment of 146,006. 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 November 2015, there were 19,637 Medically Exempt individuals.

Table 2

I-HAWP Enrollment Increases/(Decreases) for FY 2016					
<u>FY 2016</u>	<u>Marketplace Choice Plan</u>	<u>Wellness Plan</u>	<u>Presumptive Eligible</u>	<u>Total</u>	<u>Medically Exempt</u>
July	467	1,262	-23	1,706	289
August	759	2,126	45	2,930	1,190
September	371	1,133	34	1,538	304
October	613	1,219	-15	1,817	192
November	-2,115	2,062	-38	-91	351
Total FY 2016	<u>95</u>	<u>7,802</u>	<u>3</u>	<u>7,900</u>	<u>2,326</u>
Grand Total	<u>34,731</u>	<u>110,723</u>	<u>552</u>	<u>146,006</u>	<u>19,637</u>

FY 2017 FMAP. The Bureau of Economic Analysis released their final state personal per capita income data for 2014 on September 30, 2015. This allowed states to calculate their final FY 2017 FMAP rates. The FY 2017 FMAP rates are based on per capita personal incomes for calendar years 2012-2014. Iowa's FY 2017 FMAP rate increased by 1.21% to 56.28%. The FMAP increase indicates that Iowa's economy is not doing as well compared to other states, resulting in a larger share of the total FMAP pie for Iowa. This is the first year since FY 2010 that Iowa's FMAP rate has increased. Between FY 2010 and FY 2016, Iowa's FMAP rate has declined 8.2%, shifting several hundred million dollars of Medicaid expenditures from federal funding to state funding. The 1.21% change in the FMAP rate for FY 2017 means that the state will be responsible for \$45.6 million less in Medicaid expenditures.

Table 3

Five-Year State Regular Medicaid FMAP			
State Fiscal Year	Federal Share	State Share	Federal % Change
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	56.28%	43.72%	1.21%

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