



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

FROM: Jess Benson

DATE: June 6, 2016

Medicaid Forecast May 2016

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 June 3, 2016, 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	33,359,091	0
Total Non-General Fund for Medicaid	\$ 318,705,277	\$ 330,035,029	\$ 292,775,938
General Fund Appropriation	1,250,658,393	1,318,191,564	1,318,246,446
General Fund Supplemental	43,000,000	67,000,000	0
Total All General Fund Sources	\$ 1,293,658,393	\$ 1,385,191,564	\$ 1,318,246,446
Total Medicaid Funding	\$ 1,612,363,670	\$ 1,715,226,593	\$ 1,611,022,384
Total Estimated State Medicaid Need	\$ 1,534,793,632	\$ 1,655,768,299	\$ 1,672,590,936
FMAP Changes	79,120,038	56,105,434	-45,565,523
Health and Wellness Program Expenditures	0	0	17,142,483
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	0	-7,729,892	-18,144,319
Drug Rebate Savings Adjustment	0	0	9,000,000
Family Planning Enhanced FMAP Adjustment	0	0	-5,000,000
2.0% Incentive Payment Adjustment	0	0	-10,000,000
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	1,000,000
Hospital Inpatient Psych Cost-Based Adj.	0	1,000,000	0
UIHC DSH Adjustment	-2,800,000	-1,712,772	-1,000,000
HCBS Waiver Waiting List Slots	0	0	2,000,000
HCBS Provider Rate Increase	0	1,000,000	2,200,000
Total Estimated Medicaid Need	\$ 1,612,363,670	\$ 1,714,226,593	\$ 1,639,022,384
Midpoint of Balance/(Under Funded)	\$ 0	\$ 1,000,000	\$ -28,000,000
BIP - Balancing Incentive Payment Program		HCBS - Home and Community-Based Services	
ACA - Affordable Care Act		FMAP - Federal Medical Assistance Percentage	

FY 2016 Estimate. For FY 2016, the group agreed Medicaid will have an estimated surplus of \$1.0 million. During the 2016 legislative session, the Legislature approved and the Governor signed two bills that provided \$84.0 million in additional funds for Medicaid. [Senate File 2109](#) (FY 2016 Supplemental Appropriations Act) provided a \$67.0 million supplemental appropriation. [House File 2460](#) (FY 2017 Health and Human Services Appropriations Act) deappropriated \$15.0 million from other DHS programs and redirected those funds to Medicaid and transferred \$2.0 million of Child and Family Services Decategorization funds, that would have reverted to the General Fund, to Medicaid. Medicaid expenditures have also trended lower over the past two months leading to the surplus estimate.

FY 2017 Estimate. For FY 2017, the group agreed Medicaid will have an estimated need of \$28.0 million compared to anticipated revenues. This estimate does not include \$16.8 million in process improvement changes proposed by the Governor and approved by the Legislature. The DHS has not yet identified any savings, but if \$16.8 million in savings are identified and implemented they will reduce the need to \$11.2 million. [House File 2460](#) also made the following funding changes to the Medicaid Program:

- An increase of \$9,000,000 due to an adjustment to the estimates for drug rebate savings.
- An increase of \$2,200,000 for a 1.00% provider rate increase for Community Based Providers.
- An increase of \$2,000,000 to increase the number of slots available for the Home and Community-Based Services (HCBS) waivers.
- An increase of \$1,000,000 to increase reimbursement rates for Home Health Providers.
- A decrease of \$1,000,000 to require the UI to provide matching funds for the Disproportionate Share Hospital (DSH) payment.
- A decrease of \$5,000,000 due to an adjustment to the way the Federal Medical Assistance Match (FMAP) is accounted.
- A decrease of \$7,228,408 to adjust projections to the DHS enrollment estimate.
- A decrease of \$10,000,000 due to a timing adjustment for the 2.0% incentive payment to the Managed Care Organizations (MCOs).
- A decrease of \$18,144,319 to reallocate funds directly to the Independence and Cherokee Mental Health Institutes (MHIs).

Medicaid Enrollment. For FY 2015, enrollment grew by 0.7%, adding 2,903 individuals for a total enrollment of 411,259. Through 10 months of FY 2016, Medicaid enrollment increased by 7,691 individuals, for a total Program enrollment of 418,950 individuals.

Table 1

Medicaid Enrollment - FY 2016					
FY 2016	Children	Adults	Aged	Disabled	Total
	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
December	-695	74	-63	-607	-1,291
January	-2,150	-337	-66	-229	-2,782
February	2,650	1,705	149	324	4,828
March	821	610	-34	92	1,489
April	-123	394	55	8	334
Total FY 2016	5,110	2,907	215	-541	7,691
Grand Total	241,686	65,751	31,146	80,367	418,950

Iowa Health and Wellness Program (I-HAWP) Enrollment. The new I-HAWP 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. Through 10 months of FY 2016, enrollment increased by 10,361 individuals for total enrollment of 148,737. 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 2016, there were 17,736 medically exempt individuals.

Table 2

I-HAWP Enrollment - FY 2016					
FY 2016	Wellness Plan	Marketplace Choice Plan	Presumptive Eligible	Total	Medically Exempt
July	1,262	467	-23	1,706	289
August	2,126	759	45	2,930	1,190
September	1,133	371	34	1,538	304
October	1,219	613	-15	1,817	192
November	2,062	-2,115	-38	-91	351
December	-65	328	41	304	-185
January	-1,087	241	116	-730	-414
February	2,672	1,090	-26	3,736	-249
March	-493	286	-213	-420	-445
April	-108	3	-54	-159	-608
Total FY 2016	8,721	2,043	-133	10,631	425
Grand Total	111,642	36,679	416	148,737	17,736

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 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%	41.66%	-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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