



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

FROM: Jess Benson

DATE: December 21, 2016

Medicaid Forecast December 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 December 20, 2016, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2017 and FY 2018. The Forecasting Group meets regularly to discuss revenues and expenditures and agree on an estimate for the current and upcoming fiscal years.

	<i>Actual FY2015</i>	<i>Actual FY2016</i>	<i>Estimated FY2017</i>	<i>LSA Estimated FY2018</i>
Medicaid Funding				
Carryforward from Previous Year	\$ 0	\$ 0	\$ 22,891,475	\$ 0
Palo Replacement Generation Tax	1,379,442	980,730	1,372,140	1,372,140
Health Care Trust Fund	223,277,860	224,990,504	222,890,000	222,890,000
Nursing Facility Quality Assurance Fund	29,195,653	37,205,208	36,705,208	36,705,208
Hospital Trust Fund	34,570,769	34,700,000	34,700,000	34,700,000
hawk-i Performance Bonus	177,017	0	0	0
Medicaid Fraud Fund	392,810	1,021,178	500,000	500,000
Deappropriations from Various DHS Approps	15,828,136	0	0	0
CHIP Contingency	919,114	0	0	0
Food Assistance Bonus Funds	0	2,000,000	0	0
Appropriation Transfers/Carryforward	12,964,476	33,359,091	0	0
Total Non-General Fund for Medicaid	\$ 318,705,277	\$ 334,256,711	\$ 319,058,823	\$ 296,167,348
General Fund Appropriation				
General Fund Supplemental	1,250,658,393	1,318,191,564	1,318,246,446	1,318,246,446
	43,000,000	67,000,000	0	0
Total All General Fund Sources	\$ 1,293,658,393	\$ 1,385,191,564	\$ 1,318,246,446	\$ 1,318,246,446
Total Medicaid Funding	\$ 1,612,363,670	\$ 1,719,448,275	\$ 1,637,305,269	\$ 1,614,413,794
Total Estimated State Medicaid Need				
FMAP Changes	\$ 1,534,793,632	\$ 1,638,098,506	\$ 1,685,373,821	\$ 1,721,813,794
Health and Wellness Program Expenditures	79,120,038	56,105,434	-45,565,523	-66,600,000
Iowa Plan Contract Recovery	0	0	17,142,483	17,300,000
Enhanced FMAP Expirations (BIP, Health Home)	0	-4,000,000	0	0
Cost Containment	0	0	14,798,807	0
Eliminate MHI Transfer	0	-6,000,000	0	0
Drug Rebate Savings Adjustment	0	-7,729,892	-18,144,319	0
Family Planning Enhanced FMAP Adjustment	0	0	9,000,000	0
2.0% Incentive Payment Adjustment	0	0	-5,000,000	0
Expand Gero-Psych Capacity	0	0	-10,000,000	0
Nursing Facility Rebase	0	1,765,119	0	0
Home Health Rebase	1,250,000	17,030,405	0	45,000,000
Hospital Inpatient Psych Cost-Based Adj.	0	1,000,000	1,000,000	5,900,000
UIHC DSH Adjustment	0	1,000,000	0	0
HCBS Waiver Waiting List Slots	-2,800,000	-1,712,772	-1,000,000	0
HCBS Provider Rate Increase	0	0	2,000,000	0
	0	1,000,000	2,200,000	0
Total Estimated Medicaid Need	\$ 1,612,363,670	\$ 1,696,556,800	\$ 1,651,805,269	\$ 1,723,413,794
Midpoint of Balance/-Under Funded	\$ 0	\$ 22,891,475	\$ -14,500,000	\$ -109,000,000
BIP - Balancing Incentive Payment Program		HCBS - Home and Community-Based Services		
DSH - Disproportionate Share Hospital		FMAP - Federal Medical Assistance Percentage		

FY 2017 Estimate. For FY 2017, the Group agreed Medicaid will have an estimated supplemental need of \$14.5 million compared to anticipated revenues. This includes \$22.9 million in carryforward from FY 2016 and the \$33.2 million provided to increase rates for the three managed care organizations. [House File 2460](#) (FY 2017 Health and Human Services Appropriations Act) also made the following funding changes to the Medicaid Program:

- An increase of \$9.0 million due to an adjustment to the estimates for drug rebate savings.
- An increase of \$2.2 million for a 1.0% provider rate increase for Community-Based Providers.
- An increase of \$2.0 million to increase the number of slots available for the Home and Community-Based Services (HCBS) waivers.
- An increase of \$1.0 million to increase reimbursement rates for Home Health Providers.
- A decrease of \$1.0 million to require the University of Iowa to provide matching funds for the Disproportionate Share Hospital (DSH) payment.
- A decrease of \$5.0 million due to an adjustment to the way in the Federal Medical Assistance Percentage (FMAP) is accounted.
- A decrease of \$7.2 million to adjust projections to the DHS enrollment estimate.
- A decrease of \$10.0 million due to a timing adjustment for the 2.0% incentive payment to the Managed Care Organizations (MCOs).
- A decrease of \$18.1 million to reallocate funds directly to the Independence and Cherokee Mental Health Institutes (MHIs).

FY 2018 Estimate. For FY 2018, the estimate is an LSA estimate only and does not reflect the DHS or DOM estimated need for Medicaid. The DOM and the DHS declined to provide estimates that include increases in the capitation rates for the MCOs. For FY 2018, the LSA is projecting a need of \$109.0 million. This includes \$50.9 million to fully rebase nursing facilities and home health providers. If the Legislature chooses to provide a budget neutral rebase for those providers, the estimated need would drop to \$58.2 million. The estimate assumes a 1.5% to 3.5% rate increase from the MCOs, depending on the population type.

Medicaid Enrollment. In FY 2015, Medicaid enrollment grew by 0.7%, adding 2,903 individuals for a total enrollment of 411,259. In FY 2016, Medicaid enrollment increased by 1.9%, adding 7,682 individuals for a total enrollment of 418,941. In the first five months of FY 2017, Medicaid has increased by 5,804 (1.4%) individuals for a total Program enrollment of 424,745 individuals.

Table 1

Medicaid Enrollment – FY 2017					
<u>FY 2017</u>	<u>Children</u>	<u>Adults</u>	<u>Aged</u>	<u>Disabled</u>	<u>Total</u>
July	-229	491	9	38	309
August	1,643	860	145	285	2,933
September	702	156	129	-135	852
October	1,965	985	129	351	3,430
November	-1,107	-511	41	-143	-1,720
Total FY 2017	<u>2,974</u>	<u>1,981</u>	<u>453</u>	<u>396</u>	<u>5,804</u>
Grand Total	<u>244,249</u>	<u>68,208</u>	<u>31,581</u>	<u>80,707</u>	<u>424,745</u>

Iowa Health and Wellness Program (I-HAWP) Enrollment. The new I-HAWP began on January 1, 2014. 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 FY 2016, enrollment increased by 10,782 individuals. Through five months of FY 2017, enrollment increased by 294 individuals for a total enrollment of 149,182. 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 2016, there were 18,677 medically exempt individuals.

Table 2

I-HAWP Enrollment – FY 2017					
FY 2017	Wellness Plan	Marketplace Choice Plan	Presumptive Eligible	Total	Medically Exempt
July	-318	-220	-27	-565	-196
August	782	-51	89	820	26
September	-69	-477	8	-538	-712
October	1,156	271	15	1,442	258
November	-634	-237	6	-865	933
Total FY 2017	917	-714	91	294	309
Grand Total	113,100	35,504	578	149,182	18,677

FY 2018 Federal Medical Assistance Percentage (FMAP). The U.S. Bureau of Economic Analysis released its final state personal per-capita income data for 2015 on September 28, 2016. This allowed states to calculate their final FY 2018 FMAP rates. The FY 2018 FMAP rates are based on per-capita personal incomes for calendar years 2013-2015. Iowa’s FY 2018 FMAP rate increased by 1.77% to 58.05% (see Table 3 for more detail). The FMAP increase indicates that Iowa’s economy is not as strong as those of other states, resulting in a larger share of the total FMAP for Iowa. This is the second year in a row that the federal share of FMAP has increased, after it had decreased over the previous six years. The 1.77% change in the FMAP rate for FY 2018 means that the State will be responsible for \$66.6 million less in Medicaid expenditures.

Table 3

Five-Year State Regular Medicaid FMAP			
State Fiscal Year	Federal Share	State Share	Federal % Change
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%
FY 2018	58.05%	41.95%	1.77%

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