



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

FROM: Jess Benson

DATE: August 4, 2017

Medicaid Forecast July 2017

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 July 31, 2017, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2017. The Forecasting Group meets periodically 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>Actual FY2016</i>	<i>Estimated FY2017</i>
Medicaid Funding			
Carryforward from Previous Year	\$ 0	\$ 0	\$ 22,891,475
Palo Replacement Generation Tax	1,379,442	980,730	1,372,140
Health Care Trust Fund	223,277,860	224,990,504	221,346,719
Nursing Facility Quality Assurance Fund	29,195,653	37,205,208	36,705,208
Hospital Trust Fund	34,570,769	34,700,000	33,920,554
Medicaid Fraud Fund	392,810	1,021,178	456,193
Transfer Decat. Reversion	0	0	2,907,003
Total Non-General Fund for Medicaid	\$ 318,705,277	\$ 334,256,711	\$ 319,599,292
General Fund Appropriation	1,250,658,393	1,318,191,564	1,303,190,737
General Fund Supplemental	43,000,000	67,000,000	0
Total General Fund Sources	\$ 1,293,658,393	\$ 1,385,191,564	\$ 1,303,190,737
Total Medicaid Funding	\$ 1,612,363,670	\$ 1,719,448,275	\$ 1,622,790,029
Total Estimated State Medicaid Need	\$ 1,534,793,632	\$ 1,638,098,506	\$ 1,650,725,663
FMAP Changes	79,120,038	56,105,434	-45,565,523
Health and Wellness Program Expenditures	0	0	17,142,483
Enhanced FMAP Expirations (BIP, Health Home)	0	0	14,798,807
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
Nursing Facility Rebase	1,250,000	17,030,405	0
Home Health Rebase	0	1,000,000	1,000,000
UIHC DSH Adjustment	-2,800,000	-1,712,772	-4,000,000
HCBS Waiver Waiting List Slots	0	0	2,000,000
HCBS Provider Rate Increase	0	1,000,000	2,200,000
Reduce UIHC Lodging Allocation	0	0	-150,000
No Health Insurance Fee Meridian/Magellan	0	0	-4,500,000
Fee-For-Service Trend Adjustment	0	0	-9,500,000
MCO Performance Payment 50%	0	0	-19,005,709
Total Estimated Medicaid Need	\$ 1,612,363,670	\$ 1,696,556,800	\$ 1,581,001,402
Total/-Under Funded	\$ 0	\$ 22,891,475	\$ 41,788,627

BIP — Balancing Incentive Payment Program
DSH — Disproportionate Share Hospital

HCBS — Home and Community-Based Services
FMAP — Federal Medical Assistance Percentage

FY 2017 Estimate. For FY 2017, the Group agreed Medicaid will have a surplus of \$41.8 million. 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 (MCOs) and to enact various changes enacted in [House File 130](#) (FY 2017 Budget Adjustment Act).

Due to a general reduction of \$3.8 million to the DHS in HF 130, the DHS reduced the Medicaid appropriation by an additional \$1.2 million to reflect greater than anticipated drug rebates. In addition, the Medicaid Forecasting Group is now assuming that the MCOs will receive no performance bonus in FY 2017, saving the State an additional \$9.5 million, and a reduced performance bonus in FY 2018, saving the State \$12.5 million.

Since the last Medicaid estimate in March 2017, there have been a number of changes to the projections, which have increased the surplus estimate by \$33.1 million. Those changes include:

- A savings of \$11.1 million due to an increase in projected prescription drug rebates.
- A savings of \$8.6 million due to an increase in projected Program recoveries.
- A savings of \$8.0 million due to enrollment trending below projections, leading to fewer capitation payments to the MCOs and reduced fee-for-service claims.
- A savings of \$3.0 million due to additional revenue from the Iowa Plan.
- A savings of \$2.8 million due to payments to the State Resource Center trending below projections.
- A net cost increase of \$400,000 due to various adjustments.

FY 2018 Estimate. Due to ongoing rate negotiations with the MCOs, the Forecasting Group did not present a new estimate for FY 2018 at this time. At the March meeting, the Group agreed Medicaid will have a need of \$28.0 million in FY 2018. This estimate does not include an increase in rates for the MCOs, which the LSA estimates would cost \$15.8 million for a 1.5% to 3.5% rate increase, 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 FY 2017, Medicaid increased by 5,320 (1.3%) individuals for a total enrollment of 424,261.

Table 1

Changes in Medicaid Enrollment – FY 2017					
FY 2017	Children	Adults	Aged	Disabled	Total
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
December	-1,219	-311	4	-331	-1,857
January	5,236	1,984	5	99	7,324
February	-1,874	-591	77	-2	-2,390
March	-778	-287	21	98	-946
April	-1,103	-728	36	216	-1,579
May	356	142	220	-52	666
June	-1,054	-394	5	-259	-1,702
Total FY 2017	2,538	1,796	821	165	5,320
Grand Total	243,813	68,023	31,949	80,476	424,261

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 (25.0%) for a total enrollment of 138,106. In FY 2016, enrollment increased by 10,782 individuals (7.8%) for a total of 148,888. In FY 2017, enrollment increased by 1,214 individuals (1.3%) for a

total enrollment of 150,790. 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 June 2017, there were 19,582 medically exempt individuals.

Table 2

Changes in 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
December	-509	52	58	-399	202
January	5,147	1,349	82	6,578	588
February	-1,225	-58	-57	-1,340	29
March	-1,054	-1	-91	-1,146	202
April	-1,084	-354	-83	-1,521	-186
May	392	473	39	904	92
June	-489	-980	1	-1,468	-22
Total FY 2017	2,095	-233	40	1,902	1,214
Grand Total	114,278	35,985	527	150,790	19,582

FY 2019 FMAP. The U.S. Bureau of Economic Analysis released preliminary State personal per capita income data for 2016 on March 28, 2017. This data allows states to calculate their preliminary FY 2019 FMAP rates. The FY 2019 FMAP rates are based on per capita personal incomes for calendar years 2014-2016. Iowa’s FY 2019 FMAP rate increased by 1.05% to 59.10%. This means for every dollar spent on the Medicaid program, the federal government will pay \$0.5910 and Iowa pays \$0.4090. 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 third year in a row that the FMAP rate has moved back in the State’s favor, meaning that Iowa pays less. Prior to that, the rate declined 8.2% from FY 2010 to FY 2016. Final FMAP rates will be available at the end of September.

Table 3

Five-Year State Regular Medicaid FMAP			
State Fiscal Year	Federal Share	State Share	Federal % Change
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%
FY 2019	59.10%	40.90%	1.05%