



Medicaid Forecast October 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 October 26, 2017, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2018 and FY 2019. The Forecasting Group meets periodically to discuss revenues and expenditures and agree on estimates for the current and upcoming fiscal years.

Medicaid Balance Sheet			
	<i>Actual</i> <u>FY 2017</u>	<i>Estimated</i> <u>FY 2018</u>	<i>Estimated</i> <u>FY 2019</u>
Medicaid Funding			
Carryforward from Previous Year	\$ 22,891,475	\$ 44,841,621	\$ 0
Carryforward Due to Shift in Emerging Trends Payment	0	54,664,353	0
Palo Replacement Generation Tax	1,372,140	1,152,046	1,152,046
Health Care Trust Fund	221,346,719	219,900,000	219,900,000
Nursing Facility Quality Assurance Fund	36,638,618	36,705,208	36,705,208
Hospital Trust Fund	33,998,532	33,920,554	33,920,554
Medicaid Fraud Fund	456,193	500,000	500,000
Transfer Decat Reversion	2,907,003	500,000	500,000
CFS Foster Care Transfer	7,419,102	0	0
Total Non-General Fund for Medicaid	\$ 327,029,782	\$ 392,183,782	\$ 292,677,808
General Fund Appropriation	1,303,190,737	1,284,405,740	1,284,405,740
General Fund Supplemental	0	0	0
Total All General Fund Sources	\$ 1,303,190,737	\$ 1,284,405,740	\$ 1,284,405,740
Total Medicaid Funding	\$ 1,630,220,519	\$ 1,676,589,522	\$ 1,577,083,548
Total Estimated State Medicaid Need	\$ 1,632,807,647	\$ 1,725,943,356	\$ 1,736,002,662
FMAP Changes	-45,565,523	-66,600,000	-58,940,360
Health and Wellness Program Expenditures	17,142,483	17,300,000	7,200,000
Nursing Facility Rebase	0	2,500,000	0
MCO Performance Payment 50%	-19,005,709	-12,500,000	0
Eliminate 3-mo Retroactive Eligibility	0	-4,281,814	0
Elimination of Consultation Codes	0	-500,000	0
Apply IP Hospital DRG Outlier Threshold	0	-10,000,000	0
End ACA PCP Medicare Increase	0	-5,000,000	0
Align Anesthesiologist Payment to MCR	0	-3,100,000	0
Site-of-Service	0	-2,000,000	0
Crossover Claims	0	-7,700,000	0
State Family Planning	0	3,383,880	0
Health Insurer Fee Payment	0	0	29,872,499
Emerging Trends Payment and Risk Corridor	-54,664,353	54,664,353	-31,491,040
25% of Habilitation Risk Pool Moved to FY 2019	0	-11,121,000	0
Total Estimated Medicaid Need	\$ 1,530,714,545	\$ 1,680,988,775	\$ 1,682,643,761
Total/-Underfunded	\$ 99,505,974	\$ -4,399,253	\$ -105,560,213
BIP - Balancing Incentive Payment Program		HCBS - Home and Community-Based Services	
DSH - Disproportionate Share Hospital		FMAP - Federal Medical Assistance Percentage	

FY 2017. Medicaid ended FY 2017 with a \$99.5 million surplus. Of that, \$54.7 million was due to shifting supplemental payments to the three managed care organizations (MCOs) from FY 2017 to FY 2018. Additional factors that led to the surplus include savings due to lower enrollment trends leading to fewer capitation payments and reduced fee-for-service spending, greater than anticipated rebates and recoveries, and increased revenues from a Child and Family Services transfer.

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. The estimate reflected in the balance sheet above has been provided by the DHS. For FY 2018, the DHS is projecting an estimated unfunded need of \$4.4 million. This includes the estimated increase in capitation payments to the MCOs for FY 2018, the \$54.7 million emerging trends MCO payment that was shifted from FY 2017 to FY 2018, and all of the changes approved by the Legislature and signed into law by the Governor in [HF 653](#) (FY 2018 Health and Human Services Appropriations Act).

FY 2019 Estimate. The DHS is estimating Medicaid will have an unfunded need of \$105.6 million for FY 2019. This does not include an increase in capitation payments to the MCOs for FY 2019, but does include the following:

- An increase of \$4.4 million to replace the unfunded need from FY 2018.
- An increase of \$57.2 million to replace one-time funding in FY 2018.
- An increase of \$29.9 million to provide for the first federal health insurance fee payment.
- An increase of \$23.3 million to fund the emerging trends and risk corridor adjustment.
- An increase of \$30.7 million for increased cost of services and enrollment growth.
- An increase of \$11.9 million due to a loss of Medicaid recoveries and other revenues.
- An increase of \$7.2 million to replace federal funding due to a reduction in the Iowa Health and Wellness Program Federal Medical Assistance Percentage (FMAP) rate.
- A decrease of \$59.0 million to reflect the new regular Medicaid FMAP rate.

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. In the first three months of FY 2018, enrollment has decreased by 1,177 individuals for a total of 423,084 (**Table 1**).

Table 1

Changes in Medicaid Enrollment – FY 2018					
FY 2018	Children	Adults	Aged	Disabled	Total
	243,813	68,023	31,949	80,476	424,261
July	829	476	173	-573	905
August	-440	-170	71	-1,401	-1,940
September	19	-168	46	-39	-142
Total FY 2018	408	138	290	-2,013	-1,177
Grand Total	244,221	68,161	32,239	78,463	423,084

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 1,902 individuals (1.3%) for a

total enrollment of 150,790. In the first three months of FY 2018, enrollment has decreased by 1,403 individuals for a total of 149,387 (**Table 2**). 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 September 2017, there were 19,658 medically exempt individuals.

Table 2
Changes in I-HAWP Enrollment – FY 2018

FY 2018	Wellness Plan	Marketplace Choice Plan	Presumptive Eligible	Total	Medically Exempt
	114,278	35,985	527	150,790	19,582
July	208	-37	42	213	-91
August	-369	-323	35	-657	216
September	-510	-497	48	-959	-49
Total FY 2018	-671	-857	125	-1,403	76
Grand Total	113,607	35,128	652	149,387	19,658

FY 2019 FMAP. The Bureau of Economic Analysis released final State personal per capita income data for 2016 on September 26, 2017. This allows states to calculate the final FY 2019 FMAP rates. The FY 2019 FMAP rates are based on per capita personal incomes for calendar years 2014 through 2016. These rates are calculated on a Federal Fiscal Year basis, but the numbers in this forecast have been blended to reflect State Fiscal Year 2019. Iowa's SFY 2019 FMAP rate increased by 1.52% to 59.57% (**Table 3**). This means for every dollar spent on the Medicaid Program, the federal government will pay \$0.5957 and Iowa pays \$0.4043. The FMAP change is 0.47% greater than the preliminary estimate that was released in March.

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 Iowa pays less. Prior to that, the rate declined 8.2% from FY 2010 to FY 2016.

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	59.57%	40.43%	1.52%

FY 2018 Medicaid Managed Care Contract. Amerigroup and United Healthcare of the River Valley have agreed to new contract rates for FY 2018 with the DHS. The new rates are a 3.3% increase over FY 2017. The LSA is working with DHS to identify the dollar impact of the rate increase; however, the updated rates are included in the FY 2018 DHS estimate. The third MCO, AmeriHealth Caritas, has decided to withdraw from Iowa Medicaid effective November 30, 2017. Members enrolled with AmeriHealth will be transitioned to the other two MCOs beginning December 1, 2017.