



Medicaid Forecast March 2018

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 March 23, 2018, 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.

	<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	\$ 13,674,151
Carryforward Due to Shift in Emerging Trends Payment	0	54,664,353	0
Palo Replacement Generation Tax	1,372,140	1,152,046	1,100,000
Health Care Trust Fund	221,346,719	218,260,000	217,130,000
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	600,000	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	\$ 390,643,782	\$ 303,529,913
Total All General Fund Sources	\$ 1,303,190,737	\$ 1,282,992,417	\$ 1,284,405,740
Total Medicaid Funding	\$ 1,630,220,519	\$ 1,673,636,199	\$ 1,587,935,653
Total Estimated State Medicaid Need	\$ 1,613,801,938	\$ 1,620,450,803	\$ 1,706,256,818
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
MCO Capitation Rate Increase (3.3% Total, 4.3% State)	0	60,646,451	0
Nursing Facility Rebase	0	2,500,000	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	22,404,374
Emerging Trends Payment and Risk Corridor	-54,664,353	56,276,051	-34,624,436
Shift State Share DSH/GME to UIHC & BMC	0	-1,413,323	0
Total Estimated Medicaid Need	\$ 1,530,714,545	\$ 1,659,962,048	\$ 1,642,296,396
Total/-Underfunded	\$ 99,505,974	\$ 13,674,151	\$ -54,360,743
BIP - Balancing Incentive Payment Program	HCBS - Home and Community-Based Services		
UIHC - University of Iowa Hospitals and Clinics	BMC - Broadlawn Medical Center		
DSH - Disproportionate Share Hospital	FMAP - Federal Medical Assistance Percentage		

Fiscal Year 2017. Medicaid ended FY 2017 with a \$99.5 million surplus. Of that, \$54.7 million was due to funds set aside for supplemental payments to the three managed care organizations (MCOs) as part of the emerging trends payment, which will now be paid in 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.

Fiscal Year 2018 Estimate. For FY 2018, the Forecasting Group agreed Medicaid will have an estimated surplus of \$13.7 million. This includes an estimated \$60.6 million increase in capitation payments to the MCOs for FY 2018, the \$56.3 million emerging trends payment to the MCOs, 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). The shift from the previous estimate is due to \$15.3 million in expenditures related to the transition from three MCOs to two MCOs that will now be paid in FY 2019.

Fiscal Year 2018 Medicaid Managed Care Contract. Amerigroup and United Healthcare of the River Valley have agreed to new contract rates with the DHS for FY 2018. The new rates are an increase of \$60.6 million State share (4.3%) and \$79.6 million federal share (2.9%) over FY 2017. The updated rates are included in the FY 2018 estimate. The third MCO, AmeriHealth Caritas, decided to withdraw from Iowa Medicaid effective November 30, 2017. Members enrolled with AmeriHealth were transitioned to United Healthcare of the River Valley on December 1, 2017. Amerigroup is not accepting any new enrollees at this time.

Fiscal Year 2019 Estimate. For FY 2019, the Forecasting Group agreed Medicaid will have an estimated need of \$54.4 million. This does not include an increase in capitation payments to the MCOs for FY 2019, but does include the following:

- A decrease of \$13.7 million due to an estimated surplus carried forward from FY 2018.
- An increase of \$57.2 million to replace one-time funding used in FY 2018, which will not be available in FY 2019.
- An increase of \$22.4 million to provide for the first federal health insurance fee payment.
- An increase of \$21.6 million to fund the emerging trends and risk corridor adjustment.
- An increase of \$6.8 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 Plan 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 eight months of FY 2018, enrollment has decreased by 40 individuals for a total of 424,221 (**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
October	529	568	371	310	1,778
November	-2,885	-1,334	85	-376	-4,510
December	1,007	230	24	-131	1,130
January	302	315	123	72	812
February	1,343	327	-12	269	1,927
Total FY 2018	704	244	881	-1,869	-40
Grand Total	244,517	68,267	32,830	78,607	424,221

Iowa Health and Wellness Plan (IHAWP) Enrollment. The new IHAWP 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 (24.9%) 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 eight months of FY 2018, enrollment has increased by 8,491 individuals for a total of 159,281 (**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 February 2018, there were 20,436 medically exempt individuals.

Table 2

Changes in IHAWP 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
October	967	210	21	1,198	30
November	-521	-317	103	-735	27
December	3,536	618	-65	4,089	286
January	3,210	10	61	3,281	742
February	2,282	-117	-104	2,061	-307
Total FY 2018	8,803	-453	141	8,491	854
Grand Total	123,081	35,532	668	159,281	20,436

Fiscal Year 2020 FMAP. The Bureau of Economic Analysis released preliminary State personal per capita income data for 2017 on March 23, 2018. This allows states to calculate the preliminary FY 2020 FMAP rates. The FY 2020 FMAP rates are based on per capita personal incomes for calendar years 2015 through 2017. These rates are calculated on a federal fiscal year basis, but the numbers in this forecast have been blended to reflect State fiscal year (SFY) 2020. Iowa's

SFY 2020 FMAP rate increased by 1.14% to 60.71% (**Table 3**). This means for every dollar spent on the Medicaid Program, the federal government will pay \$0.6071 and Iowa pays \$0.3929. The preliminary FMAP rates are subject to change. Final per capita income data will be released at the end of September 2018.

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 for Iowa. This is the fourth 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			
Fiscal Year	Federal Share	State Share	Federal % Change
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 2020	60.71%	39.29%	1.14%

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