

# Iowa Legislative Fiscal Bureau



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State Capitol  
Des Moines, IA 50319  
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## Senior Living Trust Fund

### ISSUE

This **Issue Review** provides an overview of Iowa's Senior Living Trust Fund, the Senior Living Program, and price-based case-mix nursing facility reimbursement.

### AFFECTED AGENCIES

Department of Elder Affairs  
Department of Human Services (DHS)

### CODE AUTHORITY

Section 249A and Section 249H, Code of Iowa  
42 Code of Federal Regulations 447-271 and 447-272  
28 Iowa Administrative Code, 321.28  
161 Iowa Administrative Code, 441.161

### BACKGROUND

In April 2000, Iowa received federal approval to amend its Medicaid State Plan to implement a nursing facility reimbursement methodology that maximizes federal matching funds for nursing facility reimbursements effective October 1, 1999. The reimbursement methodology utilizes the Medicare rate, known as the "upper payment limit," for Medicaid reimbursed nursing services.

Federal funds are maximized through the upper payment limit in the following manner:

1. The State calculates its expenditure for nursing facility reimbursements as if all nursing homes in the State are reimbursed at the higher Medicare level, claiming federal funds based on this theoretical expenditure and maximizing federal matching funds as a result.
2. The State pays private nursing facilities their Medicaid rates.

3. The State pays the remaining funds to government-owned facilities that, through an Intergovernmental Transfer Agreement, return all but the usual Medicaid rate to the State. **Attachment A** provides an example of how the "intergovernmental transfer" operates.
4. The money returned from the government-owned nursing facilities is deposited into the Senior Living Trust Fund, and the State used the money to fund other Medicaid long-term care expenses.

The Health Care Financing Administration (HCFA), now Centers for Medicare & Medicaid Services, concerned with states' perceived abuse of upper payment limit reimbursement, released a notice of proposed rulemaking on October 10, 2000, that phases out intergovernmental transfers. The final rule was published in the Federal Register on January 12, 2001, with an effective date of March 13, 2001.

The phase-out is accomplished by establishing a separate upper payment limit for government-owned nursing facilities. States no longer are able to group private and government-owned nursing facilities together when calculating expenditures incurred in order to draw down federal match as if all nursing facilities in the State are theoretically reimbursed at the Medicare rate.

The rule provided a phase-in period of up to five years to allow states time to bring their Medicaid programs into compliance with the rule. States with Medicaid State Plan amendments approved before October 1, 1999, were given a five-year transition period. States with Medicaid State Plan amendments approved after October 1, 1999, were given a two-year transition period. Since Iowa received approval of its State Plan amendment in October 1999, it was given two years, or until September 30, 2002, to comply with the revised rule.

Senate File 2193 (2000 Senior Living Program Act) established a Senior Living Trust Fund to receive nursing facility payments under the intergovernmental transfer mechanism. For FY 2001, deposits to the Trust Fund and interest income were estimated to total \$99.1 million. Additional funds received through intergovernmental transfers are deposited into the Senior Living Trust Fund to finance other long-term care alternatives in future years.

### **CURRENT SITUATION**

In HF 740 (2001 Senior Living Trust Fund Appropriations Act), the General Assembly appropriated money from the Senior Living Trust Fund to the following programs for FY 2002:

- \$5.3 million to the Department of Elder Affairs for the Senior Living Program, dependent adult abuse detection, training, services and recruitment, and retention strategies for certified nursing assistants.
- \$20.0 million to the DHS for nursing facility conversion grants that would allow nursing facilities to convert to assisted living programs.
- \$1.7 million to the DHS to supplement the Medical Assistance appropriation through the Home and Community-Based Waiver and the State Supplementary Assistance Program.
- \$24.8 million to the DHS for nursing facility provider reimbursements or reimbursement methodology changes.

**Attachment B** outlines the deposit process and the flow of funds from the Senior Living Trust Fund for FY 2002.

#### **Department of Elder Affairs Senior Living Program**

The Department of Elder Affairs awards Senior Living Trust Fund money in the form of grants to the 13 Area Agencies on Aging to design, maintain, or expand home and community-based services for seniors who are 60 years of age and older. These services may include, but are not limited to, adult day care, personal care, respite, homemaker, chore, and transportation services that promote the independence of seniors and delay the use of institutional care by seniors with low and moderate incomes.

**Attachment C** outlines the planned goals, services, and the number of unduplicated clients who received services as the result of the Senior Living Program in FY 2001. Projections for units of service for FY 2002 are shown in **Attachment D**.

#### **Elder Abuse Initiative**

House File 740 allocated \$256,000 of the Department of Elder Affairs appropriation for an elder abuse initiative. The purpose of the initiative is to provide a holistic system for individuals aged 60 and older experiencing or susceptible to experiencing some form of abuse or exploitation. **Attachment E** shows the number of dependent adult abuse reports from July 1999 - June 2000.

The goals of the initiative include improvement in the following areas:

- Public awareness, including prevention, detection, reporting, and intervention of elder abuse and exploitation.
- Accuracy of reporting elder abuse incidents. It is estimated that only 20% are reported.
- Identifying individuals who potentially could be exposed to some form of abuse and/or exploitation.
- Training of law enforcement, county attorneys, physicians, health care providers, and the general public.

The initiative will compliment the Case Management Program for the Frail Elderly. While not all clients in the Case Management Program for the Frail Elderly will need assistance from the initiative and not all victims or potential victims will need to utilize the Case Management Program, the elder abuse initiative will assist in identifying persons in need of assistance. As a result, the type of assistance identified may include services available through the Case Management system or other services such as abuse or legal counseling.

The Department of Elder Affairs is in the process of filling 1.0 FTE position for a State Elder Abuse Prevention Coordinator, and is currently drafting a Request for Proposal (RFP) for three regional prevention coordinator positions who will be placed in areas identified as having the greatest statistical need for the implementation of the initiative. The State Elder Abuse Prevention Coordinator will handle calls from outside these designated regions.

**Certified Nurse Aide Recruitment/Retention Project**

House File 740 (2001 Senior Living Trust Fund Appropriations Act) allocated \$100,000 from the Department of Elder Affairs appropriation for a contract with an agency or organization whose primary purpose is the improvement of the nurse aide profession in order to develop strategies to reduce turnover of nurse aides in nursing facilities through additional training and support.

The goals of the project include:

- Development of a curriculum that may be replicated to provide enhanced training to certified nurse aides in areas such as dementia care, Parkinson's disease, aphasia, memory loss, and challenging behaviors.
- Development of recruitment strategies that will increase the number of certified nurse aides in nursing facilities and stabilize the nurse aide workforce of nursing facilities.

The RFP for the contract was issued August 2, 2001, and final proposals to be submitted by August 24, 2001. A notice of intent to award will be issued by September 4, 2001. The project must be completed by June 30, 2002.

**Department of Human Services Nursing Facility Conversion and Long-Term Care Alternatives**

In July 2000, the DHS solicited applications to convert nursing facilities to affordable assisted living and to develop other long-term care alternatives to nursing facility care. A list of all facilities receiving grant funds and the amounts awarded is included in **Attachment F**. The grants approved totaled \$14.7 million. Approximately \$4.1 million of the grants approved were not utilized as some facilities withdrew after the award notification.

The next applications will be issued by the end of August 2001 for grants to be funded with the FY 2002 appropriation of \$20.0 million.

On July 12, 2001, the Iowa Department of Management advised legislative leadership of a notice of appropriation transfer (**Attachment G**) in behalf of the DHS for FY 2001. The largest portion of the notice was a transfer of \$15.9 million from the Senior Living Trust Fund appropriated to the DHS for Nursing Facility Conversion to Medical Assistance Supplement. The estimated reversion amount in the Nursing Facility Conversion appropriation was attributable to this being a new program and that nursing facilities were being deliberate in transitioning due to changes in fees, definitions, and the need for financial assurances. The reason given for the transfer was that demand for Medical Assistance exceeds the appropriation for FY 2001 using a projection based on information available through May 2001. The two areas identified that increased expenditures were increased number of lowans eligible and using Medicaid health care services and the costs associated with providing those services. The DHS has indicated that transfer of Nursing Facility Conversion appropriated dollars from the Senior Living Trust Fund to Medical Assistance Supplement has no affect on the Senior Living Program. The Department's commitment to a total of \$80.0 million for nursing facility conversion over the four years and the availability of funds to honor that commitment are unchanged.

**Nursing Facility Reimbursement**

From a nursing facility reimbursement perspective, the priorities and goals of the Senior Living Trust Program include:

- Balance between institutional and non-institutional long-term care services
- Improve the quality of lives of lowans receiving all forms of long term care services
- Improve Medicaid recipients' access to care
- Increase consumer choice
- Cost containment

Over the next two years the modified price-based case-mix reimbursement system will continue to be gradually phased in, allowing nursing facilities additional time to adapt to the new reimbursement system. Facilities will be held harmless through June 30, 2003, from any reduction of their June 30, 2001, Medicaid rate excluding the case-mix transition add-on payment.

During the first year, providers continued to receive 100 percent of their former system rate. Beginning July 1, 2001, a portion of each facility's total Medicaid rate is based on a percent of the current system rate plus a percent of the modified price-based case-mix rate. The following table illustrates how the phase-in rates are calculated:

Phase-In Period	70 <sup>th</sup> percentile system rate	Modified Price-Based Case-Mix Rate
July 1, 2000 – June 30, 2001	100.00 percent	0.00 percent
July 1, 2001 - June 30, 2002	66.67 percent	33.33 percent
July 1, 2002 - June 30, 2003	33.33 percent	66.67 percent
July 1, 2003 and thereafter	0.00 percent	100.00 percent

The 70<sup>th</sup> percentile system rate used effective July 1, 2001, was the nursing facility's Medicaid rate effective on June 30, 2001, excluding the case-mix transition add-on amount, plus a 6.21 percent inflation factor, not to exceed \$94.00 per day. The 70<sup>th</sup> percentile system rate to be used effective July 1, 2002, will be the nursing facility's Medicaid rate effective on June 30, 2001, excluding the case-mix transition add-on amount, plus an inflation allowance of 6.21 percent, and an additional inflation factor based on the HCFA/Skilled Nursing Facility Total Market Basket Index. However, the current system rate to be used effective July 1, 2002, shall not exceed \$94.00 per day, times an inflation factor.

In no case shall the total Medicaid rate for July 1, 2001, through June 30, 2002, be less than the current system rate effective on June 30, 2001, excluding the case-mix transition add-on amount, and increased by a 6.21 percent inflation allowance. In no case shall the total Medicaid rate for July 1, 2002, through June 30, 2003, be less than the reimbursement rate effective on June 30, 2002, plus an inflation factor projected for the following 12 months.

Under the case-mix reimbursement system, Medicaid resident acuity levels will be determined through quarterly assessments of each nursing facility resident. The assessments then will be used to classify each resident into one of 34 Resource Utilization Groups (RUGs). Each Group is pre-assigned a case-mix index to indicate how resource intensive the resident is expected to be in comparison to residents with other Resource Utilization Group classifications.

A facility's reimbursement under the case-mix methodology is based upon the facility's average case-mix index. Through a process called normalization, a facility's direct care costs are adjusted for case-mix and added to the average administrative, overhead, and support care costs to determine the facility's normalized cost. The normalized costs for all facilities in the State are rank ordered to determine a statewide base cost. Facilities' Medicaid case-mix indices are then used to adjust the statewide base cost to provide individualized Medicaid reimbursement based upon each facility's Medicaid resident acuity.

Effective July 1, 2002, a portion of the Medicaid rates under the new case-mix system will be based on each facility's achieving certain accountability measures that will link payment to quality of care. Rules governing the framework for these measures as well as the specific criteria that will be applied are being finalized by the DHS, with the input from a subgroup of the task force that assisted in the development of the modified price-based case-mix reimbursement methodology.

### **BUDGET IMPACT**

Iowa anticipates receiving the following federal funds before the intergovernmental transfer program is phased-out in State FY 2003:

<b>Fiscal Year</b>	<b>Federal Funding</b>
2001	\$ 95,621,331
2002	112,972,000
2003	106,067,000
2004 (1 <sup>st</sup> quarter)	24,580,000
Total	\$ 339,240,331

**Attachment H** provides the DHS estimate of how the funds will be expended. The interest payments are assuming a 6% rate of interest. The figures in the column for FY 2001 and FY 2002 are the actual dollars appropriated by the General Assembly. The figures in columns for FY 2003, FY 2004, and FY 2005 are amounts DHS anticipates will be appropriated by the General Assembly, based on past appropriation history. The figures in the rows indicating DEA came from the Department of Elder Affairs. The General Assembly allocated funding as needed to continue the Senior Living Program for an unspecified period of time and allocated a maximum of \$80.0 million for FY 2001 – FY 2005 to convert nursing facilities and develop long-term care alternatives. At the end of FY 2005, the DHS estimates the Trust Fund balance to be \$135.9 million as shown in **Attachment H**. There are concerns about the ongoing financial support to these programs after FY 2005. When federal funding stops, how

long will the Trust Fund continue to cover the costs of the current programs and will the State be in a position to provide ongoing financial support when Trust Funds are exhausted?

STAFF CONTACT: Lisa Burk (Ext. 16765) and Sam Leto (Ext. 16764)

## Sample of Using the Upper Payment Limit to Maximize Federal Funds Under Current Law

For the purposes of this example assume:

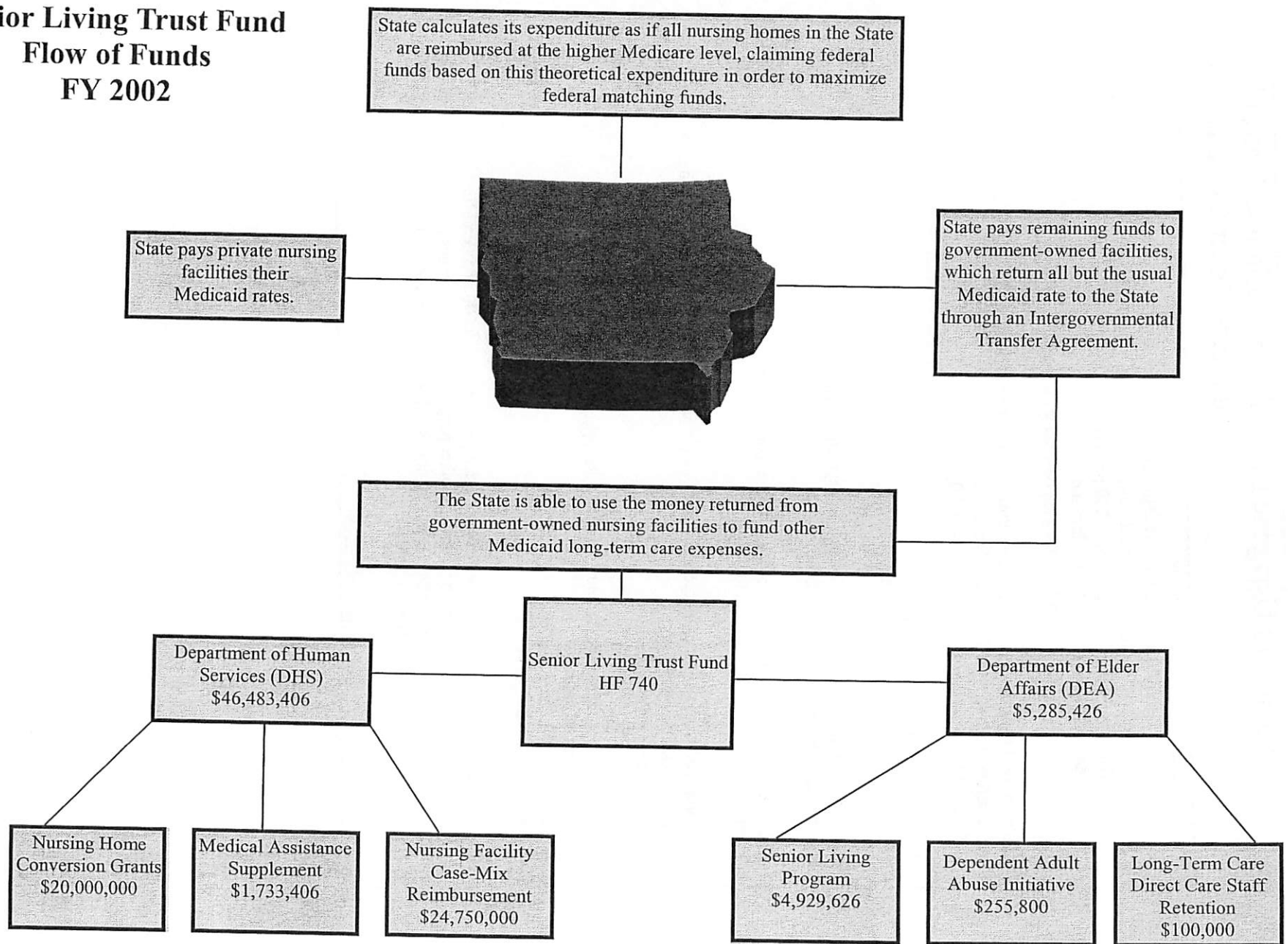
There are 1,000 nursing home beds in a state;  
 900 are private and 100 are county-owned;  
 The state Medicaid program pays \$60 per day;  
 Medicare would pay \$100 per day; and  
 The state has a 50% federal matching rate under Medicaid.

- 1) Under current regulations, the state may estimate how much Medicare would theoretically have paid for nursing home care.  
 (1,000 beds x \$100 per day under Medicare = \$100,000)
- 2) The state then would estimate its share.  
 (50% state match x \$100,000 = \$50,000)
- 3) Then the state would claim a federal matching payment on the amount.  
 (50% federal match x \$100,000 = \$50,000)
- 4) Then the state would pay its usual rate to private nursing homes.  
 (900 private beds x \$60 per day = \$54,000)
- 5) Then the state would direct all of the additional funding to the county-owned nursing homes.  
 (\$100,000 - \$54,000 = \$46,000)  
 (\$46,000/100 beds = \$460 per day)
- 6) Then the state would require the county-owned nursing home to return all but the usual Medicaid payment to the state.  
 (\$60 per day x 100 beds = \$6,000)  
 (\$46,000 - \$6,000 = \$40,000)
- 7) Then the state could keep the money (meaning the state received \$50,000 of federal funds for only a \$10,000 state match); use the money for other purposes; or use this money as the state matching payment to restart the process by drawing down additional federal matching with no additional state contribution.

*Source: Health Care Financing Administration*



# Senior Living Trust Fund Flow of Funds FY 2002



**Note:** This is pre-liminary data,  
prior to August 15, 2001 "Final Report"

9 of 9 Months - May 2001		SFY 2001		Prorated Portion
Senior Living Program	Unduplicated Clients		of Goal	
	Planned Goal	YTD Actual	(100% is Ideal)	
Type of Service – Community Level				
Adult Day Care	274	126	46%	
Alzheimer's Caregiver Support	116	34	29%	
Assessment & Intervention	284	378	133%	
Assisted Transportation	287	220	77%	
Case Management	681	1143	168%	
Chore	1824	1068	59%	
Congregate Meals	45	112	249%	
Counseling	312	61	20%	
Health Screening/Dr. House Call	61	312	511%	
Home Del Meals	1576	2148	136%	
Home Repair	107	71	66%	
Homemaker/Home Health	321	1161	362%	
Information & Assistance	512	235	46%	
Legal Assistance	324	382	118%	
Material Aid	116	1833	1580%	
Medical Alert/Lifeline	486	1043	215%	
Mental Health Outreach	221	92	42%	
Nutrition Education	300	165	55%	
Outreach	285	381	134%	
Personal Care	259	253	98%	
Preventive Health	60	83	138%	
Representative Payee	234	41	18%	
Respite	401	149	37%	
Telephone Reassurance	46	38	83%	
Transportation	1846	914	50%	
Supportive Visiting	26	23	88%	
Well Elderly Clinics/Medication M	639	387	61%	
# of Elderly Clients receiving 1 or more service		9413		

Source: Iowa Department of Elder Affairs

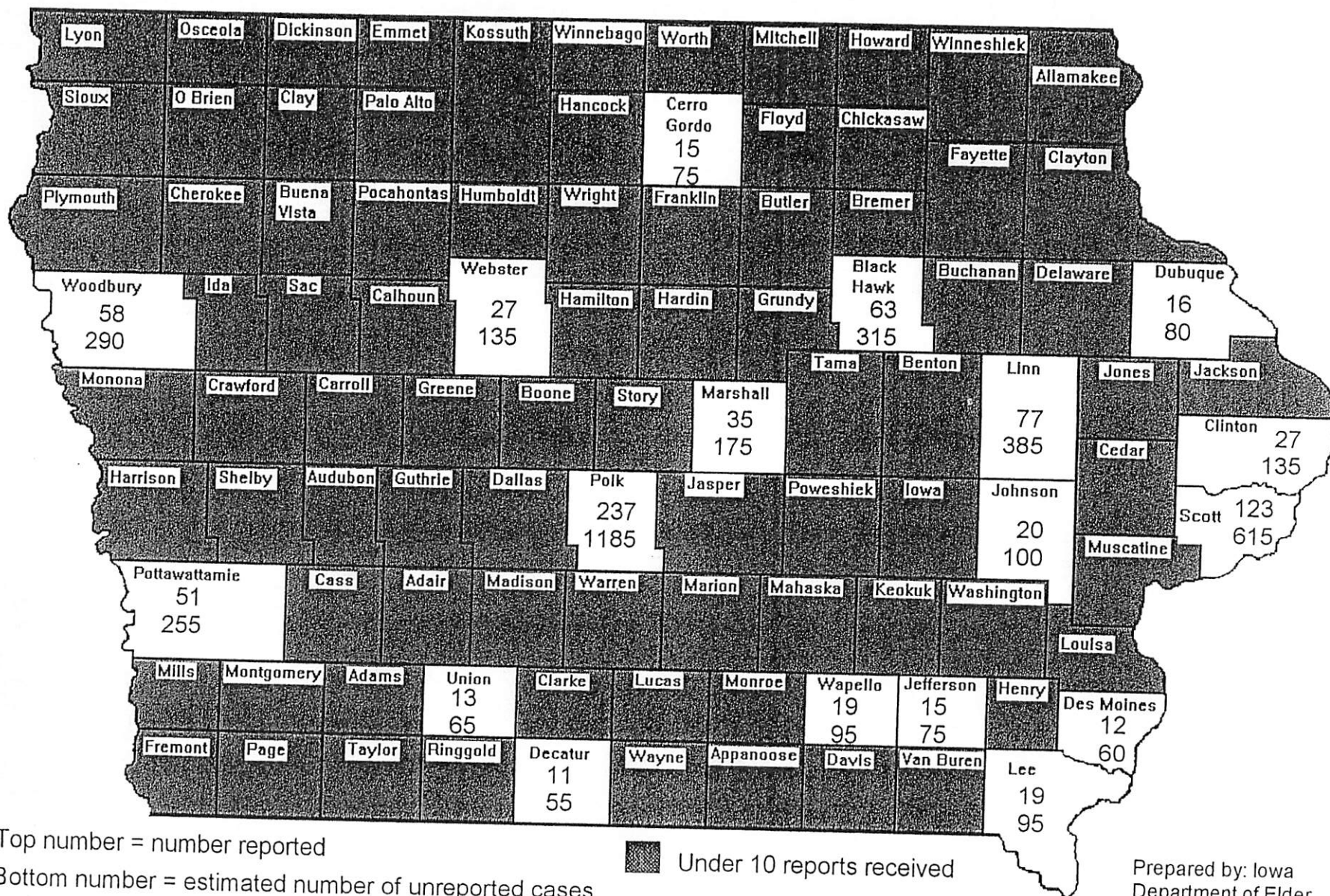
# **Senior Living Program - Fiscal Year 2002** **Projected Units of Service**

Service		Total Units
Adult Day Care	hours	32,830
Advocacy	contacts	3,500
Assessment & Intervention	hours	5,666
Assisted Transportation	one-way trips	4,688
Caregivers Support	hours	1,250
Case Management	hours	45,174
Chore	hours	14,761
Congregate Meals	meals	6,300
Counseling	hours	969
Emergency Response	months	653
Home Del Meals	meals	113,522
Home Repair	hours	1,066
Homemaker/Home Health	hours	16,323
Information & Assistance	contacts	850
Legal Assistance	hours	500
Material Aid	clients	2
Medication Management	months	340
Mental Health Outreach	1/4 hours	2,928
Nutrition Counseling	hours	240
Nutrition Education	sessions	9
Outreach	hours	523
Personal Care	hours	5,874
Preventive Health/Promotion	hours	0
Protective Payee	hours	1,318
Reassurance	hours	130
Respite	hours	9,946
Transportation	one-way trips	31,854
Visiting	visits	2,017
Voucher	hours	7,661
Well Elderly Clinics		685

SOURCE: Iowa Department of Elder Affairs

# DEPENDENT ADULT ABUSE REPORTS

## July 1999 - June 2000



All Facilities Receiving Grant Funds (RFP #1)

LTC PROVIDER NAME	CITY	App. Type	# AL Units	Adult Day	Home Del Meal	Respite	Grant \$ Approved	Grant \$ Withdraw
Aase Haugen Homes Inc	Decorah	Conversion	8				\$360,000.00	
Avera Holy Family Health	Estherville	Serv. Dev.		x			\$150,000.00	
Community Memorial Health Ctr	Hartley	Conversion	5				\$225,000.00	
Correctionville Nursing & Rehab Ctr	Correctionville	Serv. Dev.		x		x	\$100,000.00	
Correctionville Nursing & Rehab Ctr	Correctionville	Conversion	8				\$360,000.00	
Delaware County Senior Citizens Ctr	Manchester	Serv. Dev.		x			\$150,000.00	
Dumont Care Ctr	Clear Lake	Conversion	6				\$270,000.00	
Eldora Nursing and Rehab Center	Eldora	Serv. Dev.				x	\$100,000.00	
Eldora Nursing and Rehab Center	Eldora	Conversion	7				\$315,000.00	
Elkader Care Center	Elkader	Conversion	9				\$405,000.00	
Elmwood Care Center	Onawa	Conversion	10				\$450,000.00	
Emmetsburg Care Center	Emmetsburg	Conversion	10				\$450,000.00	
Golden Age Care Center	Centerville	Conversion	15				\$675,000.00	
Good Samaritan Ctr - Algona - Withdrew	Algona	Conversion	12					\$540,000.00
Good Samaritan Ctr - Estherville - Withdrew	Estherville	Conversion	20					\$900,000.00
Good Samaritan Ctr - Forest City	Forest City	Serv. Dev.		x			\$100,400.00	
Good Samaritan Ctr - Holstein	Holstein	Serv. Dev.			x		\$51,176.00	
Good Samaritan Ctr - Holstein - Withdrew	Holstein	Conversion	7					\$315,000.00
Good Samaritan Ctr - Newell - Withdrew	Newell	Conversion	5					\$225,000.00
Good Samaritan Ctr - Postville - Withdrew	Postville	Conversion	8					\$360,000.00
Good Samaritan Ctr - Waukon - Withdrew	Waukon	Conversion	10					\$450,000.00
Good Shepherd Inc	Mason City	Conversion	40				\$1,000,000.00	
Great River Care Center	McGregor	Conversion	9				\$405,000.00	
Holy Spirit Retirement Home	Sioux City	Serv. Dev.		x			\$91,736.00	
Maple Heights - Withdrew	Mapleton	Conversion	6					\$270,000.00
Parkview Manor	Wellman	Serv. Dev.		x			\$100,000.00	
Parkview Manor	Wellman	Conversion	20				\$900,000.00	
Pleasant View Care Center	Whiting	Conversion	10				\$450,000.00	
Pleasant View Care Center	Whiting	Serv. Dev.			x		\$100,000.00	
Pomeroy Care Center	Pomeroy	Serv. Dev.		x		x	\$100,000.00	
Pomeroy Care Center	Pomeroy	Conversion	10				\$450,000.00	
Riceville Community Rest Home - Withdrew	Riceville	Conversion	9					\$405,000.00
Rose Vista Home Inc	Woodbine	Conversion	10				\$450,000.00	
Rose Vista Home Inc	Woodbine	Serv. Dev.		x			\$100,000.00	
Ruthven Community Care Ctr	Ruthven	Serv. Dev.		x		x	\$100,000.00	
Ruthven Community Care Ctr	Ruthven	Conversion	14				\$630,000.00	
Sigourney Care Center Ltd	Sigourney	Conversion	9				\$405,000.00	
St Anthony's Regional Hospital and Nursing Home	Carroll	Serv. Dev.		x			\$150,000.00	

8/10/01

All Facilities Receiving Grant Funds (RFP #1)

Stonehill Adult Center	Dubuque	Serv. Dev.		x			\$150,000.00		
Sunrise Retirement Community	Sioux City	Conversion	8				\$201,149.00		
Sunrise Retirement Community - Withdrew	Sioux City	Serv. Dev.		x					
Sunrise Terrace Care Center - Withdrew	Winfield	Conversion	11			x		\$100,000.00	
Wheatland Manor	Wheatland	Conversion	7					\$495,000.00	
Willow Dale Care Center	Battle Creek	Conversion	8				\$315,000.00		
SUB-TOTAL							\$360,000.00		
							\$10,619,461.00	\$	4,060,000.00
Arch & Fin Feas. Study Dollars									
							\$ 360,384.59		
TOTAL FOR ALL DOLLARS							\$15,039,845.59		

Source: Iowa Department of Human Services

8/10/01



THOMAS J. VILSACK, GOVERNOR  
SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF MANAGEMENT  
CYNTHIA P. EISENHAUER, DIRECTOR

DATE: July 12, 2001

TO: The Honorable Jeffrey Lamberti      The Honorable Ken Veenstra  
The Honorable Tom Flynn      The Honorable Johnie Hammond  
The Honorable David Millage      The Honorable David Heaton  
The Honorable Patrick Murphy      The Honorable Robert Osterhaus

FROM: Randy Bauer, State Budget Director

RE: Notice of Appropriation Transfer

Please consider this notification of a request for transfer of funds under the Code of Iowa, 2001, Section 8.39, up to the following amounts:

#### GENERAL FUND

Transfer to: Department of Human Services  
Medical Assistance \$4,000,000

Transfer from: Department of Human Services \$4,000,000  
Likely from:  

- Field Operations
- General Administration
- FIP
- Child Support Recovery

#### SENIOR LIVING TRUST

Transfer to: Department of Human Services  
Medical Assistance Supplement \$15,900,000

Transfer from: Department of Human Services  
Nursing Facility Conversion \$15,900,000

#### Reason:

Demand for Medical Assistance will exceed the appropriation for SFY 01. The current projection is based on information available through May. June and the +60 period during which SFY 01 service costs continue to accrue will likely affect the year-end final expenditure level. (A 1% shift in this appropriation is \$4 million.)

The Department of Human Services is requesting transfer authority to a maximum amount. The final transfer will be made closer to year-end when the final amount needed is determined and surpluses in the field, child support, general administration and FIP are known. Two of these appropriations with possible surpluses depend on a year-end and a June +60 determination of cost allocation that is not final until the end of August.

See attached materials from the Department of Human Services.

The amount transferred will be only what is needed based on complete FY 01 information. Action on this transfer will not be finalized prior to July 30, 2001.

RB/hc

#### Attachments

cc: Governor Thomas J. Vilsack  
Jessie K. Rasmussen, Department of Human Services  
Dennis Prouty, Legislative Fiscal Bureau  
Sue Lerdal, Legislative Fiscal Bureau  
Sam Leto, Legislative Fiscal Bureau  
Hugh Ceaser, Department of Management



## Two Reasons for the Increased Need

The number of Iowans eligible for Medicaid health care services and the cost associated with providing these services outpaced the state appropriation for fiscal year 2001.

### More Iowans Qualified for Medicaid Services

The single most significant factor is more Iowans are eligible and are using health care services provided by Medicaid. In May, 224,177 Iowans were eligible for health care services provided under Medicaid. However, using a three-year rolling average, with SFY 99 as the base (attachment 1), the number of Iowans eligible for Medicaid budgeted for each month in SFY 01 was 204,165. Through May, the number of Iowans eligible each month averaged slightly more than 212,000. Those additional 8,200 Iowans eligible each month include children, the elderly, and people with disabilities (attachments 2A & B). Simply put, the commitment to assuring access to quality health care for low-income Iowans brings with it an increased cost.

Projected expenditures for Medical Assistance for Iowans has in the past followed a relatively predictable pattern (attachment 1). Historically, there has been a gradual increase in Iowans eligible for Medicaid health services, peaking during winter months. In spring and summer months, there were fewer Iowans eligible. In FY 2001, the number of Iowans eligible for Medicaid increased each month beginning in November 2000.

For just the second year since SFY 94 (attachment 1), the number of Iowans eligible for Medicaid is greater at the end of the year than at its beginning. During SFYs 95 through 99, the number of Iowa using Medicaid health services over the 12-month period decreased, creating a surplus in Medical Assistance.

### Iowans Also Used More Expensive Health Care Services

Additionally, Iowans used more expensive Medicaid health care services more often. The percentages below reflect increased usage of some of these costly services over the previous year. Significant increases in costs for any medical service will result in the state having significantly higher financial obligations.

Inpatient	6.44%
HMO	14.37%
Dental	6.14%
Skilled Nursing	12.70%
Other Providers	12.62%

### Financial Summary

Services provided to Iowans based on information collected through May 2001 indicate expenditures will exceed appropriations by between \$16.1 million and \$19.9 million. Only the actual amount needed based on final cost information will be transferred.

**Medical Assistance  
Eligibility Trends - All Title XIX Without CHIP Medicaid Expansion  
SFY 1994 - SFY 2001**

<b>SFY</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Average</b>
1994	221,607	222,690	222,480	224,953	228,183	232,950	235,373	238,379	238,097	238,204	236,743	238,501	231,171
1995	234,502	234,558	234,383	234,233	233,867	232,905	232,285	233,383	233,271	232,289	231,661	230,581	233,160
1996	228,625	228,674	228,599	227,954	227,113	227,227	225,923	228,490	229,431	229,448	228,784	226,701	228,081
1997	226,589	226,669	225,310	224,679	222,202	221,611	219,449	221,058	222,186	221,372	219,903	217,668	222,391
1998	214,719	214,150	213,689	213,866	210,868	211,776	208,694	210,365	211,392	211,434	209,216	206,981	211,429
1999	205,779	204,527	203,182	203,608	204,352	202,028	199,775	200,977	203,558	203,246	206,151	201,168	203,196
2000	199,694	203,541	202,463	202,826	203,184	201,837	201,387	202,798	203,324	204,852	204,031	203,917	202,821
2001	205,688	204,488	205,982	206,609	206,337	210,412	213,625	215,792	219,246	223,566	224,177		212,357

DHS - Medical Assistance  
Monthly Cost per TXIX Eligible  
SFY 2001  
Source: IAMM 1300-R001

	Number of Monthly Eligibles	Monthly Title XIX Expenditures	Monthly Cost per Eligible	Average Monthly Eligibles	Cummulative Expenditures	Cummulative Average Monthly Cost per Eligible	Additional TXIX Eligibles Added in Month (Benchmarking November)	Additional Cost Incurred from Additional eligibles	Additional State Cost Incurred from Additional eligibles
July	205,688	\$ 128,244,022	\$ 623.49	205,688	\$ 128,244,022	\$ 623.49			
August	204,488	121,446,593	593.91	410,176	249,690,615	608.74			
September	205,982	123,425,363	599.20	616,158	373,115,978	605.55			
October	206,609	141,635,416	685.52	822,767	514,751,394	625.63			
November	206,337	124,592,996	603.83	1,029,104	639,344,390	621.26			
December	210,412	125,874,988	598.23	1,239,516	765,219,378	617.35	4,075	\$ 2,437,791	\$ 910,028
January	213,625	141,345,127	661.65	1,453,141	906,564,504	623.87	7,288	\$ 4,822,110	\$ 1,800,094
February	215,792	131,771,859	610.64	1,668,933	1,038,336,363	622.16	9,455	\$ 5,773,629	\$ 2,155,296
March	219,246	131,330,653	599.01	1,888,179	1,169,667,017	619.47	12,909	\$ 7,732,626	\$ 2,886,589
April	223,566	154,431,043	690.76	2,111,745	1,324,098,060	627.02	17,229	\$ 11,901,150	\$ 4,442,699
May	224,177	132,289,004	590.11	2,335,922	1,456,387,064	623.47	17,840	\$ 10,527,556	\$ 3,929,936

Total

\$ 43,194,862 \$ 16,124,642

The remainder of the need is primarily a reflection of increased utilization of services after determination of medical necessity has been made. A double digit increase in any service will affect expenditures and any increased utilization (over that budgeted) in a costly service area like inpatient is significant.

Remaining state cost to be incurred \$ 3,775,000  
Projected Need \$ 19,899,642

DHS - Fiscal Analysis  
May YTD Monthly Average Enrollment on the Medical Assistance Budget  
SFY 2001

Aid Category	SFY 2001 Budgeted Average Monthly Eligibles	SFY 2001 Actual Average Monthly Eligibles	Increase/(Decrease) Over Budget
SSI (Supplemental Security Income) For aged, blind or disabled	41,160	42,183	1,023
FMAP (Family Medical Assistance Program) For families with children under age 19	78,627	82,028	3,401
CMAF (Child Medical Assistance Program) For children under age 21 who are eligible for FMAP except for the age requirement and living with a specified relative.	3,353	4,507	1,154
MAC - Infants (Mothers and Children) Income limit is below 200% of the federal poverty level	4,978	5,759	781
MAC - Children (Mothers and Children) Income limit is below 133% of the federal poverty level	26,077	29,226	3,149
ICF 300% Nursing facility care for persons who meet the SSI eligibility criteria but income is above the SSI income limit but below 300% of the SSI income limit	15,190	16,533	1,343
Other Persons in the following coverage groups: State Supplementary Assistance, Dependent Person, Non 300% ICF, Medically Needy, MAC for pregnant women, Qualified Medicare Beneficiaries, MHI for aged, Presumptive Eligibility for Pregnant Women, & Medicaid for Employed Person with Disabilities	34,780	32,121	(2,659)
Totals	204,165	212,357	8,192

DHS - Fiscal Analysis  
May YTD Monthly Average Enrollment on the Medical Assistance Budget - Children  
SFY 2001

Aid Category of Children	SFY 2001 Budgeted Average Monthly Eligibles	SFY 2001 Actual Average Monthly Eligibles	Increase/ Decrease Over Budget
<b>FMAP (Family Medical Assistance Program) For families with Children under age 19</b>	51,627	53,385	1,758
<b>Foster Care</b> Children who receive IV-E foster care assistance	4,317	4,552	235
<b>Subsidy</b> Children who receive an adoption subsidy & meet IV-E eligibility	3,053	2,832	(221)
<b>CMAF (Child Medical Assistance Program) For children under age 21 who are eligible for FMAP except for the age requirement &amp; living with a specified relative</b>	3,353	4,507	1,154
<b>Subsidy (State)</b> Children who receive an adoption subsidy paid by state dollars	91	84	(7)
<b>Foster Care (State)</b> Receive foster care assistance but do not meet IV-E eligibility; paid by state dollars	101	54	(47)
<b>Dep Persons (Children)</b> Parents receive State Supplementary Assistance & are not eligible for FMAP, CMAF or MAC	49	41	(8)
<b>Medically Needy (Children)</b> Meet eligibility for another coverage group but are over income. May have a spenddown to meet.	257	162	(95)
<b>MAC - Infants (Mothers and Children)</b> Income limit is below 200% of the federal poverty level	4,978	5,759	781
<b>MAC - Children (Mothers and Children)</b> Income limit is below 133% of the federal poverty level	26,077	29,226	3,149
<b>MHI</b> Children who reside in a mental health institution	8	4	(4)
<b>Totals</b>	93,911	100,606	6,695

**SENIOR LI. TRUST FUND - revised 8/01**  
**Estimates/Assumptions**

State Fiscal Year	FY2001	FY 2002	FY 2003	FY 2004	FY 2005	
Beginning of SFY Fund		\$54,885,542	\$122,131,581	\$183,548,267	\$162,128,905	
Intergovt Transfer	\$95,621,331	\$112,972,000	\$106,067,000	\$24,580,000	\$2,000,000	
Interest	<u>\$3,442,368</u>	<u>\$6,042,872</u>	<u>\$8,215,149</u>	<u>\$7,492,618</u>	<u>\$5,908,641</u>	assumes 6%
Income Total	\$99,063,699	\$173,900,413	\$236,413,730	\$215,620,885	\$170,037,546	
NFConversion/LTC Service Grants	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$0	
DHS Service Delivery						
Assisted Living Rent Sub	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	
HCBS Elderly Waiver	\$710,400	\$710,000	\$734,140	\$759,101	\$784,910	assumes 3.4% increase annually
NF Case Mix and Price Methodology	\$17,750,000	\$24,750,000	\$24,750,000	\$24,750,000	\$24,750,000	assumes increases paid from general funds
DHS Administration & Contracts	\$829,634	\$323,406	\$332,192	\$287,192	\$282,371	
DEA Service Delivery	\$3,582,975	\$4,177,291	\$5,041,949	\$5,616,246	\$6,144,263	figures from Elder Affairs
DEA Administration	<u>\$605,148</u>	<u>\$1,108,135</u>	<u>\$1,307,182</u>	<u>\$1,379,441</u>	<u>\$1,449,117</u>	
Expenditure Total	<u>\$44,178,157</u>	<u>\$51,768,832</u>	<u>\$52,865,463</u>	<u>\$53,491,980</u>	<u>\$34,110,661</u>	
Ending Trust Fund Value	**	\$54,885,542	\$122,131,581	\$183,548,267	\$162,128,905	\$135,926,885
Industry Model - State Dollars		\$134,670,911	\$144,902,503	\$156,395,370	\$164,215,139	

**Assumptions**

IGT rules changing effective Sept 30, 2002

\*\* This amount reflects the balance as appropriated. The final figure, re: actual expenditures will be available after 9/15/01.

SOURCE: Iowa Department of Human Services