

## Iowa Medicaid Expenditures 2013-2022 (in millions)

Source: John Holahan, Matthew Buettgens, Caitlin Carroll, Stan Dorn, "The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis," Kaiser Commission on Medicaid and the Uninsured, November 2012

	Federal	State	Total
No ACA Baseline	34,293	20,657	54,950
With ACA/Expansion	39,722	20,335	60,058
Change in Expenditures	5,430	(321)	5,108
No ACA Baseline	34,293	20,657	54,950
With ACA/No Expansion	35,813	20,869	56,682
Change in Expenditures	1,520	212	1,732
With ACA/No Expansion	35,813	20,869	56,682
With ACA/Expansion	39,722	20,335	60,058
Change in Expenditures	3,909	(534)	3,376

- According to the study by Urban Institute researchers cited above, Iowa is one of eight states (and the only state outside the Northeast) that is expected to see savings from the ACA if it expands Medicaid coverage. Savings would be realized primarily because the federal government would pay a higher share of expenditures for people the state is already covering through IowaCare. Under the IowaCare waiver, the federal government matches state spending at the state's regular matching rate (59.6 percent in 2013), while under the Medicaid expansion the federal government will assume 100 percent of the costs in the first three years phasing down to and remaining at 90 percent in 2020 and thereafter.
- The Urban Institute estimates that enrollment in Medicaid would increase by 48,000 from a baseline of 480,000 by 2022 if Iowa does not expand Medicaid and by 115,000 if it does expand.
- The Milliman actuarial report for Iowa dated December 14, 2012, finds that expanding Medicaid would cost the state \$171.2 million from 2014 to 2020 under a low participation scenario and \$536.6 million under a moderate participation scenario. Enrollment would increase between 51,600 to 80,400 if Iowa did not expand, representing currently eligible adults and children. An additional 80,700 to 122,900 Iowans would enroll if the state expands. Most of the costs to the state under both scenarios will be for covering children and adults who are already eligible for the program, *and will occur regardless of the state's decision whether to expand*. These costs would range from \$377.4 under the low participation scenario to \$654.6 million under the moderate participation scenario.
- Because so many currently eligible adults and children will enroll in 2014, the Milliman and Urban studies agree that Iowa will experience costs under the ACA regardless of whether it

expands Medicaid. Milliman finds that the cost of covering already eligible children and adults exceeds the cost of covering the adults who would become newly eligible.

- The results of the two studies differ on the total cost of Medicaid expansion in part due to varying assumptions regarding participation and the cost per case and the use of national data (Urban Institute) or state data (Milliman). However, the most significant source of the difference in the estimates is likely due to whether or not all the matching funds Iowa uses to fund IowaCare are counted as savings. Urban Institute researchers counted all the matching funds put up by the state while Milliman only counted the state appropriation of \$8.5 million. At the same time, the Milliman study notes that the savings to the counties would be “significant.”
- Neither study includes savings to the states and counties outside the Medicaid program. The Milliman report notes that “nearly all adults currently covered by counties’ mental health programs would be eligible for Medicaid coverage, and a significant portion of the services costs currently born by counties would be shifted to the Medicaid expansion program.” An initial assessment by the Iowa Department of Human Services indicates that counties now spend about \$120 million a year in non-Medicaid mental health costs. It is likely that many beneficiaries of these services would be eligible for Medicaid if the state expands and some of the costs could therefore be reimbursed by Medicaid.
- There are serious questions whether IowaCare can continue in its current form beyond December 31, 2013. While CMS has said that it will continue to entertain waiver requests under Medicaid (including IowaCare), it also has said that these would be at a regular matching rate for states that only partially expand Medicaid. Further, since there is now an option available to cover childless adults through a Medicaid expansion, there are serious questions whether enrollment caps, significant limits on benefits, and restrictions on provider choice would be allowed under a waiver in 2014.
- It is especially unlikely that the state will be able to cap enrollment for IowaCare beyond December 31, 2013, as Iowa has requested in a waiver amendment it submitted to CMS on October 11, 2012. That request, which is pending at CMS, requests a cap on enrollment effective July 1, 2013. It states that the program “has experienced significant increases in the Demonstration population since the January 1, 2012, implementation of the state-wide provider network expansion. In anticipation of capacity limitations within the provider network and depletion of program funds, this action is necessary to sustain the current structure of the Demonstration program.”
- Even if Iowa is allowed to maintain IowaCare in some form, it is far more advantageous to the state to expand Medicaid. As noted in the Milliman report, the costs to the state of continuing IowaCare after FY 2013 are expected to grow substantially. Expanding Medicaid would provide relief from these costs for both the states and counties. It would also allow beneficiaries to visit providers throughout the state and receive a more comprehensive package of benefits with the lion’s share of funding coming from the federal government.