

Iowa Medicaid

Briefing

for

Iowa Congressional Delegation Staff

Washington, D.C.

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Iowa Medicaid is a partnership between Iowa and the Federal government that:

- Pays Iowa health care providers about \$2 billion a year to care for, on average, 275,000 Iowans each month who can't afford to purchase health insurance which meets their health care needs.
 - About half of the Iowans receiving health care through Medicaid are children.
 - Health care spending for elderly and disabled Iowans, however, accounts for about three quarters (3/4) of the total cost of the program.
- Provides substantial financial support to the State's child welfare system by paying for the medical costs associated with children in state care and those who have been adopted by Iowans.
- Provides substantial financial support to Iowa counties in fulfilling their longstanding responsibilities to care for the mentally challenged and those with developmental disabilities.

The terms of the partnership are set out in the Iowa “State Medicaid Plan”. This is a very lengthy document which:

- Explains how the Iowa Medicaid program works: who is eligible, reimbursement methods, and so forth; and
- Certifies that Iowa is aware of, and complies with, Federal Medicaid rules.

Every State’s Medicaid program is unique – but they all have a lot in common.

- Overall, Iowa’s program has more generous eligibility rules than programs in other States – but its guidelines are certainly far more restrictive than those of some states.
- Overall, Iowa’s program is quite comprehensive in the services that it covers. (If you compared Medicaid’s covered services with those of a commercial insurance plan, Medicaid appears more generous. But that is largely due to the fact that Medicaid pays for an array of long term care services for low income elderly and disabled.)

Who is eligible for Medicaid in Iowa?

What kind of care do they receive?

How much does it cost?

Who is eligible?

▫ **Children (172,958 Iowa children)**

- Ages 0 to 1 with family incomes to 200% of the federal poverty level (FPL)
- Ages 1 to 18 with family incomes to 133% of FPL
- Ages 18 through 20 with family incomes to 65% of FPL and no more than \$10,000 in countable family assets.

There are special rules for:

- Children with special health care needs (Katie Beckett)
- Children in state care and adopted children

hawk-i covers children through age 18 not otherwise eligible for Medicaid with family incomes equal to or less than 200% of FPL. (The *hawk-i* benefit is not as generous as the Medicaid benefit and *hawk-i* parents pay premiums.)

- **Adults** (71,019 Iowans)
 - Parents of children on Medicaid with family income at or below 48% of FPL and no more than \$2,000 (single)/\$5,000 (couple) of countable assets.
 - Pregnant Women with family income below 200% of FPL
 - Women with Breast and Cervical Cancer with income below 250% of FPL and no access to other insurance.
 - Caretakers for Medicaid-eligible Iowa children (those with family income below 65% of FPL)

- **Elderly** (36,872 Iowans) with family income below 73% of FPL and no more than \$2,000 (single)/\$3,000 (couple) of countable assets and
 - Frail elderly (i.e. those eligible for nursing facility level of care) living in the community with incomes to 300% of the SSI level (which is equal to 221% of the FPL).
 - Elderly living in nursing homes with incomes to 300% of the SSI level.

- Elderly with income below 65% of FPL and no more than \$10,000 of countable assets and with extraordinary medical expenses
 - Qualified Low Income Medicare Beneficiaries (QMBs). Medicare eligible Iowans with family income to 100% of FPL and no more than \$4,000 (single)/\$6,000 (couple) in countable assets. Medicaid pays the Part B premiums and Medicare co-payments and deductibles;
 - Specified Low Income Medicare Beneficiaries (SLMBs). Medicare eligible Iowans with family income to 120% of FPL and no more than \$4,000 (single)/\$6,000 (couple) in countable assets. Medicaid pays the Part B premiums only.
- **Disabled** (58,494 Iowans) with family income below 73% of FPL and no more than \$2,000 (single)/\$3,000 (couple) countable assets and
- MR/DD Adults with family incomes to 300% of SSI.
 - Adults with AIDS and/or Traumatic Brain Injuries with family incomes to 300% SSI
 - Working Disabled with family incomes to 250% of FPL

- Disabled with income below 65% of FPL and no more than \$10,000 of countable assets and with extraordinary medical expenses

Are there any low income Iowans who are not covered by Medicaid?

Single individuals and childless couples (i.e. no minor children) between the ages of 21 and 64 are not covered by Medicaid no matter how little income they have – unless they meet the Social Security Act's definition of disabled.

Iowans who can't afford health insurance, but don't meet the income and asset tests for Medicaid.

Federal Poverty Levels				
Monthly Income Limits				
Poverty Level	Household Size			
	1	2	3	4
65%	\$487	\$657	\$827	\$997
73%	\$547	\$737	\$929	\$1,120
100%	\$749	\$1,010	\$1,272	\$1,534
120%	\$899	\$1,212	\$1,526	\$1,841
133%	\$996	\$1,343	\$1,692	\$2,040
200%	\$1,498	\$2,020	\$2,594	\$3,068
221%	\$1,656	\$3,312	N/A*	N/A*
250%	\$1,873	\$2,525	\$3,180	\$3,835

* Does not apply to household sizes greater than two.

**Medicaid Program Expenditures
Total Dollars (Federal, State and Local)
State Fiscal Year 2003**

	<u>Enrolled</u>	<u>Expenditures</u>	<u>Annual Expenditures Per Enrollee</u>
Children	172,958	\$324,712,889	\$1,877.41
Adults	71,019	\$180,761,818	\$2,545.26
Disabled	58,494	\$886,905,921	\$15,162.34
Elderly	36,872	\$564,019,843	\$15,296.70
	<u>339,343</u>	<u>\$1,956,400,471</u>	<u>\$5,765.26</u>

	<u>Enrolled</u>	<u>Expenditures</u>
Children	51.0%	16.6%
Adults	20.9%	9.2%
Disabled	17.2%	45.3%
Elderly	10.9%	28.8%
	<u>100.0%</u>	<u>100.0%</u>

**Children
Medicaid Program Expenditures (Federal, State and Local)
SFY 2003 (from MMIS Reports)**

	Percent
Acute Care	
HMO Premiums & Patient Management	19.4%
Inpatient & Outpatient Hospital & Clinic Services	25.1%
Physician	8.6%
Dentist	4.6%
Other Practitioners of the Healing Arts	1.5%
Drugs, Medical Supplies & Equipment, Glasses, Lab & X-Ray	13.7%
Mental Health & Mental Retardation	
Iowa Plan Premiums	8.5%
Children in State Care	13.0%
MR Services	0.6%
Early Periodic Screening Diagnosis & Treatment Services	3.4%
Insurance Premium Payments	0.9%
All Other Services	1.2%
Total Expenditures	100.0%

Adults
Ages 21 Through 64 (Parents & Pregnant Women)
Medicaid Program Expenditures (Federal, State and Local)
SFY 2003 (from MMIS Reports)

Acute Care	Percent
HMO Premiums & Patient Management Fees	20.4%
Inpatient & Outpatient Hospital and Clinic Services	34.4%
Physician	15.0%
Dental	4.2%
Other Practitioners of the Healing Arts	1.3%
Drugs, Lab, Eyeglasses, Medical Supplies & Equipment	
Drugs	14.9%
Supplies	0.7%
Optometric	0.6%
Lab & X-Ray	0.5%
Behavioral Health	
Iowa Plan (Behavioral Health)	7.0%
Health Insurance Premiums (HIP)	0.4%
All Other Services	0.7%
Total Expenditures	100.0%

**Disabled Individuals
Medicaid Program Expenditures (Federal, State and Local)
SFY 2003 (from MMIS Reports)**

	Percent
Acute Care	
Inpatient & Outpatient Hospital & Clinic Services	13.4%
Physicians, Dentists & Other Practitioners of the Healing Arts	6.0%
Drugs, Supplies & Medical Equipment	20.4%
Mental Health & Mental Retardation	
Mental Health (including Iowa Plan Premiums)	5.0%
Intermediate Care Facilities for the Mentally Retarded	23.5%
Home & Community Based Waiver Services for the Mentally Retarded	14.6%
Other Long Term/Chronic Care Services	
Nursing Facility Services	3.6%
Home Health Payment	3.7%
Home & Community Based Waiver Services -Elderly, AIDS, Brain Injury, Ill & Handicapped	1.9%
Rehabilitation Services	2.7%
Case Management	2.1%
Residential Care	0.8%
Insurance	
Private (HIP)	0.3%
Medicare Part A & Part B Premiums	1.5%
All Other Service Expenditures	0.6%
Total Expenditures	100.0%

Elderly
 Medicaid Program Expenditures (Federal, State and Local)
 SFY 2003 (From MMIS Reports)

	<u>Percent</u>
Acute Care	
Inpatient & Outpatient Hospital Services	3.4%
Physician	1.4%
Dentists & Other Practitioners of the Healing Arts	0.4%
Drugs	14.5%
Long Term Care	
Nursing Facilities	60.4%
Home & Community Based Waiver Services	4.2%
Home Health Services	5.1%
Rehabilitation Services	0.2%
Residential Care	0.2%
Medical Supplies & Equipment, Eyeglasses	1.3%
Behavioral Health	
Iowa Plan (Behavioral Health) & Psych	0.2%
Nursing Facility Mental Health	0.4%
Insurance Premiums (Medicare Part A & B)	4.6%
All Other Services	0.3%
Total Expenditures	100.0%

What is happening to the Medicaid program in Iowa?

- It is growing. More people are covered and costs are going up.

Why is eligibility growing?

- The only changes in our eligibility rules over the past five years were:
 - ✓ *hawk-i*
 - ✓ Working disabled
 - ✓ Breast and Cervical Cancer
- We also are probably doing a better job on outreach.
- But, in all likelihood, enrollment is going up largely because individuals who would otherwise be eligible for Medicaid, but who purchased their own health insurance, are finding it less and less affordable.

Iowa's Medicaid Program - Historical Data

State Fiscal Year	Avg. Mthly. Iowans	Total Dollars	Federal Dollars	State & Local Dollars
1983	150,872	\$316,351,340	\$166,164,798	\$150,186,542
1984	162,628	\$323,227,091	\$179,368,238	\$143,858,853
1985	167,349	\$337,356,850	\$187,505,075	\$149,851,775
1986	176,748	\$376,509,936	\$219,139,455	\$157,370,481
1987	183,397	\$410,760,475	\$247,717,625	\$163,042,850
1988	177,803	\$462,990,547	\$288,858,619	\$174,131,928
1989	174,641	\$520,836,438	\$328,426,204	\$192,410,234
1990	186,440	\$607,367,763	\$381,229,224	\$226,138,539
1991	198,373	\$745,098,589	\$472,016,206	\$273,082,383
1992	212,293	\$847,734,275	\$549,416,890	\$298,317,385
1993	220,105	\$940,184,901	\$596,491,189	\$343,693,712
1994	230,878	\$1,020,360,474	\$646,962,286	\$373,398,188
1995	233,160	\$1,113,774,223	\$700,575,801	\$413,198,422
1996	228,083	\$1,166,560,773	\$746,829,850	\$419,730,923
1997	222,391	\$1,176,775,469	\$746,387,885	\$430,387,584
1998	211,429	\$1,288,495,782	\$821,699,210	\$466,796,572
1999	203,196	\$1,336,458,994	\$848,423,410	\$488,035,584
2000	202,821	\$1,439,258,023	\$913,070,445	\$526,187,578
2001	213,460	\$1,590,961,797	\$999,477,437	\$591,484,360
2002	237,563	\$1,782,222,628	\$1,128,027,255	\$654,195,373
2003	254,566	\$1,956,400,471	\$1,250,856,812	\$705,543,659
2004 (Projected)	275,317	\$2,055,536,107	\$1,322,455,344	\$733,080,763
2005 (Projected)	295,985	\$2,153,734,400	\$1,371,377,179	\$782,357,221

Why are costs growing?

- Increase in the number of Iowans covered.
- Demographics of Iowans covered. Medicaid covers the highest cost populations.
- Health status of Iowans (need to promote prevention and healthy lifestyles – but consider prevalence of smoking in Iowa.)
- New and more expensive drugs and medical procedures.
- Health care providers costs are increasing. Iowa needs to try and adjust our rates accordingly. This is particularly significant in the long-term care area where direct care workers make up a significant part of the labor force.

**Analysis of Changes in Medicaid Cost of Care
All Funds (Federal, State and Local)
SFY 1998 Through SFY 2003**

All Children	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Enrolled	136,941	133,745	136,474	143,117	160,089	172,958
Average Units Per Enrolled	48	44	41	39	40	44
Average Payment Per Unit	\$29.87	\$34.91	\$39.46	\$44.53	\$45.86	\$42.65
Total Title XIX Payments	\$194,878,732	\$205,774,439	\$218,391,523	\$247,982,989	\$290,301,454	\$324,712,889
Average Payment Per Enrollee	\$1,423	\$1,539	\$1,600	\$1,733	\$1,813	\$1,877
All Elderly	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Enrolled	36,679	37,086	36,335	36,497	36,558	36,872
Average Units Per Enrolled	355	365	327	412	421	475
Average Payment Per Unit	\$29.10	\$29.99	\$31.15	\$31.70	\$34.20	\$32.22
Total Title XIX Payments	\$378,415,798	\$406,268,021	\$449,160,436	\$476,127,108	\$526,615,884	\$564,019,843
Average Payment Per Enrollee	\$10,316.96	\$10,954.75	\$12,361.65	\$13,045.65	\$14,404.94	\$15,296.81
All Disabled	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Enrolled	49,953	50,559	52,454	53,903	55,848	58,494
Average Units Per Enrolled	317	339	352	360	361	402
Average Payment Per Unit	\$34.33	\$34.37	\$35.11	\$37.34	\$39.78	\$37.69
Total Title XIX Payments	\$542,913,381	\$589,866,791	\$648,527,230	\$725,097,713	\$802,676,801	\$886,905,921
Average Payment Per Enrollee	\$10,868	\$11,667	\$12,364	\$13,452	\$14,373	\$15,162
All Adults	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Enrolled	65,559	62,578	60,657	61,456	66,734	71,019
Average Units Per Enrolled	50	45	44	42	41	48
Average Payment Per Unit	\$37.84	\$41.28	\$46.13	\$55.28	\$59.94	\$53.26
Total Title XIX Payments	\$123,039,984	\$115,734,234	\$123,178,835	\$141,753,988	\$162,628,489	\$180,761,818
Average Payment Per Enrollee	\$1,877	\$1,849	\$2,031	\$2,307	\$2,437	\$2,545
Total - All Funds - All Enrollees	\$1,239,247,895	\$1,317,643,485	\$1,439,258,023	\$1,590,961,797	\$1,782,222,628	\$1,956,400,471

What's the State Budget situation?

- Stressed. Very stressed.

How about Medicaid's budget situation?

- This year (SFY 2004) Medicaid looks okay – thanks to the 2.95% FMAP increase which Congress provided to the States and the efforts of the State legislature to develop responsible budget strategies to deal with the Medicaid cost growth.

Unfortunately, it appears that, due to CMS rulings, the State will be unable to realize about \$18 million savings of the savings anticipated when the budget passed. That offsets about 1/3 of the \$50 million the State expects to receive due to the increase in the FMAP rate.

- But Medicaid is a big part of the State Budget – and, overall, the State is short dollars. There may be many difficult choices facing state policymakers. For example, do we keep our children education, or safe or healthy?

- In a few weeks the legislature will convene. It is generally agreed that the SFY 2005 budget will represent the biggest challenge.
- The State Human Services Council – the Department of Human Services oversight body - submitted a budget to the Governor – at the recommendation of the Department – that assumes that revenues available to the Medicaid program in SFY 2005 will remain almost the same as in SFY 2004.

- In the letter accompanying its budget document, Council Chair, Christine G. Louscher, noted:

The Human Services Council has adopted a funding level for State Fiscal Year 2005 that is just six tenths of one percent above the funding level for the current year in recognition of the uncertainty in state revenues. At this funding level, thousands of our fellow citizens will receive fewer services. In far too many cases, services will cease. The gap between the limited growth funding and that required to sustain services to those currently eligible to receive them is significant. Therefore, the Council implores your continued commitment to serving Iowa's most vulnerable individuals and families by working with legislative leaders to identify additional resources.

Without increased funding, there will be no option but to cut deeply services to individuals with mental illness and mental retardation, those who are elderly, and children and families most at risk....

Iowa Medicaid
State, Local and Federal Funding
SFY 2000 Through SFY 2003
(In \$\$ Millions)

Fiscal Year	Total	Federal	Local *	State **
2000	\$1,439.3	\$913.1	\$99.0	\$427.2
2001	\$1,591.0	\$999.5	\$115.7	\$475.8
2002	\$1,782.2	\$1,128.0	\$121.4	\$532.8
2003	\$1,956.4	\$1,250.9	\$126.6	\$578.9

Notes:

- * County Funding
- ** Excludes Area and Local Education Agency State Match

State Fiscal Year 2003 - State Funds - A Closer Look

General Fund (Sales & Income Taxes & Other)	\$390.7
Senior Living Trust Fund	
Tobacco Settlement	\$68.7
Property Tax Relief Fund	\$38.5
	\$6.6
Federal Medicaid Participation Rate Increase	\$14.9
Intergovernmental Transfers	
Hospital Upper Payment Limit	\$19.0
Supplementary DSH - UIHC	\$14.0
Supplementary Indirect Medical Ed	\$16.7
Nursing Facility UPL	\$7.4
ICF/MR Provider Tax	\$2.3
Total	\$578.9

Intergovernmental Transfers (IGTs)

How do Iowa's (IGT's) work?

- University of Iowa Hospital Supplemental Disproportionate Share
- University of Iowa Hospital Supplemental Indirect Medical Education Payment
- Hospital Upper Payment Limit (UPL)
- Nursing Home Upper Payment Limit (UPL)
- University of Iowa Hospital Physicians (pending)

In each case the State makes a Medicaid payment to a medical facility owned by (or physician group employed by) State government (the University of Iowa Hospital) or county/city governments (Franklin Memorial Hospital and various county or city owned nursing homes). The payment is made with State and federal dollars.

Once received by the facility, it loses its character as a Medicaid payment and becomes University hospital or city/county government revenue. The University and the city/county governments then return the payments made. The State is ahead financially by the federal share of the payment made.

The State then re-invests the federal share in the Medicaid program. i.e., these dollars are used to cover the state share of payments to hospitals, nursing homes, physicians, pharmacies, dentists, home health agencies, hospices, intermediate care facilities for the mentally retarded and developmentally disabled, adult rehabilitation service providers – and so forth.

Note: Iowa's ability - and the ability of every other State - to use these kinds of intergovernmental transfer payments is limited by an array of federal law, rules and regulations – and Iowa complies with all of them.

The most significant rules are those which:

- Limit the total amount of DSH (disproportionate share hospital) program payments that Iowa can receive;
- Limit the amount Iowa can pay state hospitals and county/city hospitals to the amount those hospitals would receive (in the aggregate) under Medicare for the same services;
- Limit the amount Iowa can pay county/city nursing facilities to the amount they would receive under Medicare for the same services; and
- Limit the amount Iowa can pay physicians to their usual and customary charge for any patient who is not covered by Medicaid.

Is CMS aware of how Iowa's IGTs work?

Yes! Yes! Yes! There is no secret whatsoever about what Iowa is doing.

Do other States use IGT's in the same way?

Yes.

Is CMS changing the rules on IGTs?

Yes and No.

No changes have been proposed to any Medicaid rule in the Code of Federal Regulations (CFR).

However, CMS has made it clear, that it will try and stop states from using the types of intergovernmental transfers that Iowa has installed.

In other words, CMS is changing the rules in a way that would have a very substantial impact on Iowa – without bothering to take the steps appropriate under the Federal Administrative Procedures Act to promulgate changes in policy.

Provider Taxes

What is a provider tax?

It is a state tax on the gross patient revenues of health care providers.

Health care provider taxes can – and usually are – allowable costs under Medicaid. In other words, Medicaid can pay a provider for that part of the tax imposed on the provider that is attributable to revenues from Medicaid.

What is an “allowable” state provider tax under Federal regulations?

- o It is a tax that is – with certain exceptions – broad-based and uniformly applied. i.e the rate is the same for all providers in a class (all nursing homes, all hospitals, all physicians, etc.) and it is imposed – again, with certain exceptions -- on all of the revenue of the provider (particularly revenue from private patients).

- There is no “hold harmless” mechanism. i.e. the state does not repay the taxpayer 100% of the entire tax that the provider paid to the State. Note: using some – or all – of the tax revenues to increase reimbursement to providers because – for example -- their costs of care have gone up -- is permitted.

How does Iowa’s provider tax – work?

Currently, Iowa imposes a tax equal to 6% of the gross patient revenues of intermediate care facilities for the care of the mentally retarded (ICF/MRs).

The tax is recognized, under Iowa’s own Medicaid regulations as an allowable cost under Medicaid. In other words, Medicaid pays ICF/MRs that portion of the tax that is attributable to gross patient revenues from Medicaid. As a practical matter nearly all ICF/MR revenues are from Medicaid. Consequently, the State Medicaid program comes out ahead financially from imposition of the tax.

When the tax was enacted by the State legislature, the two large state-owned ICF/MRs were made exempt from the tax. DHS will likely recommend to the legislature that this exemption be removed. In other words, the State will tax itself.

We believe that both the current tax and the possible expansion of the tax to include state facilities is entirely consistent with federal regulations regarding health care provider taxes.

In the last session of the legislature, in response to a request from the nursing home industry, the legislature authorized DHS to construct a tax on nursing home revenues. The industry made this request and the legislature agreed to the request on the assumption that:

- ✓ The tax imposed would be an allowable cost under Medicaid. i.e., Medicaid could reimburse nursing homes for that part of the tax attributable to revenues from Medicaid patients.

- ✓ It was possible to structure a tax that fit squarely within the federal regulations. This would require the State to seek a “waiver” from CMS of certain rules associated with provider taxes. But the Federal rules regarding such waivers are quite specific and the industry believed – and after a careful analysis DHS agrees – that Iowa can construct a tax that fits within the waiver rules.
- ✓ That a part of the tax revenues would be used to cover the increase in Medicaid payments associated with the tax, a part would be used to bring Medicaid nursing home rates generally more in line with their costs, and the balance would be placed in the Senior Living Trust Fund.

The State has submitted its waiver request and is awaiting a response. We are also required to submit an amendment to our State Medicaid plan to permit us to adjust our nursing home rates – and in the last few days have done so.

Is CMS aware of how Iowa's provider tax works?

Yes.

Do other States use provider taxes in the same way?

Yes.

Is CMS changing the rules on provider taxes?

No – but Maybe. CMS appears to believe that, notwithstanding the existing Federal rules, states' use of its taxing power in this area should be further curtailed or prohibited altogether.

Iowa is concerned that this attitude will affect the chances of approval of our nursing facility provider tax and the expansion of our ICF/MR tax.

CMS contends that these intergovernmental provider payment strategies and provider taxes are “gimmicks” or “schemes” that are designed to do nothing more than increase federal revenues to states. What does Iowa say in response?

- The use of intergovernmental provider payment strategies and provider taxes have been allowed under Medicaid rules and regulations for many years.
- CMS has always been aware of how Iowa’s intergovernmental and provider tax strategies work.
- Iowa has invested the revenue we have realized from these strategies and taxes back in the Medicaid program for beneficiary services.
- The Iowa Congressional delegation was instrumental in securing for Iowa the nursing home IGT. Funds from the nursing home IGT are placed in the Senior Living Trust Fund. The Senior Living Trust Fund has become a cornerstone of the State legislature’s budget strategy for Medicaid.

What happens in Iowa if the rules on IGTs and provider taxes change?

We cut spending.

Can Iowa do that without anyone getting hurt?

No.

Who will get hurt and how badly?

Children and/or their parents and/or pregnant women and/or women with breast and cervical cancer and/or individuals living in nursing homes and/or frail elderly trying to stay out of a nursing home and/or the disabled who want to work and/or individuals with MR or DD and/or individuals with extraordinarily high medical costs who spend nearly every penny they have and still can't afford to pay all of their medical bills; and/or

Hospitals, nursing homes, pharmacies, physicians, dentists, home health agencies, hospices whose rates are cut; AND

Iowans who are not on Medicaid, but work for hospitals, nursing homes, pharmacies....etc. whose paycheck is covered in part from their employers' Medicaid earnings; AND

Iowans who will pay higher health insurance costs because their doctors or hospital try and cover their losses from Medicaid by charging private insurers or private paying patients more.

Can we more specific?

Yes. Let's start with what Iowa could lose.

Looking Ahead - SFY 2003 Through SFY 2006
 Projected Intergovernmental Transfers & Provider Taxes SFY 2005 and SFY 2006
 Assumes Program Expenditures Grow at 7.5% Rate Annually

	SFY 2005 Projected	SFY 2006 Projected
State Dollar Program Spending - Requirements	<u>\$652,972,057</u>	<u>\$703,142,861</u>
Intergovernmental Transfers		
Supp Indirect Medical Ed - UIHC	\$17,867,017	\$18,403,028
Supp Disproportionate Share - UIHC	\$14,184,856	\$14,184,856
Hospital UPL (Hospital Trust Fund)	\$29,000,000	\$29,000,000
Nursing Facility UPL (Senior Living Trust)	\$7,400,000	\$7,400,000
	<u>\$68,451,873</u>	<u>\$68,987,884</u>
Physician UIHC (Per SFY 04 Budget)	\$13,500,000	\$13,500,000
	<u>\$81,951,873</u>	<u>\$82,487,884</u>
Provider Taxes		
ICF/MR - Private	\$5,475,000	\$5,475,000
Nursing Facility	\$10,100,000	\$10,100,000
	<u>\$15,575,000</u>	<u>\$15,575,000</u>
Total	\$97,526,873	\$98,062,884
Percent of State Dollar Spending	14.9%	13.9%

If CMS curtails the use of these funding strategies, Iowa policymakers will have to cut the Medicaid program by tens of millions of dollars.

- Drop Iowans from the program?

- 21,403 individuals with incomes at or below 300% of the SSI benefit level: State savings = \$146,237,000

Impact: This would empty Iowa nursing homes imposing an extraordinary burden on the elderly and disabled, their families and on every Iowa community with a nursing home.

- 3,913 individuals with extraordinary medical expenses (the Medically Needy): State savings = \$12,294,541

Impact: Avoidable deaths or disability

- 55 women with breast and cervical cancer and family incomes at or below 250% of the federal poverty level: State savings = \$980,310

Impact: Avoidable deaths

- 7,946 employed but disabled individuals with incomes at or below 250% of the federal poverty level: State savings = \$12,692,790

Impact: Physically and mentally challenged individuals will leave the workforce to qualify for regular Medicaid – thereby raising the cost of the Medicaid program.

- Federal law does not allow Iowa to eliminate children from its program.
- We could remove pregnant women with incomes between 185% and 200% of poverty from the program.

- Eliminate “optional” medical services for adults?

- Eliminate prescription drugs

Iowans affected: 152,815 State dollars savings = \$115,496,573

Impact: More avoidable deaths and disability, higher primary and long term health care costs.

- Eliminate Home and Community-Based Services (HCBS) Waivers

Iowans affected: 13,604 State dollars savings = \$21,506,595

Note: This would shift costs from the State to the counties.

- Eliminate ICF/MR State cases

Iowans affected: 152 State dollars savings = \$3,871,798

Impact: This would increase county health care costs by tens of millions of dollars.

- Eliminate ambulance services
Iowans affected: 11,364 State dollars savings = \$602,780
- Eliminate clinic services (primarily kidney dialysis)
Iowans affected: 4,100 State dollars savings = \$729,308
- Eliminate hospice services
Iowans affected: 1,795 State dollars savings = \$3,171,899
- Eliminate dental services
Iowans affected: 61,175 State dollars savings = \$7,292,944
- Eliminate medical supplies and durable medical equipment
Iowans affected: 38,633 State dollars savings = \$9,585,223

- Eliminate adult rehabilitation option State cases
Iowans affected: 647 State dollars savings = \$3,987,766
Note: Another very significant cost shift to counties.
- Eliminate targeted case management
Iowans affected: 8,795 State dollars savings = \$4,778,136
- Eliminate optometrist services
Iowans affected: 47,889 State dollars savings = \$1,329,249
- Eliminate podiatric services
Iowans affected: 16,753 State dollars savings = \$531,447
- Eliminate other practitioners services (audiologists, occupational and physical therapists, speech pathologists)
Iowans affected: 12,665 State dollars savings = \$1,101,018

- Eliminate chiropractic services

Iowans affected: 16,345 State dollars savings = \$1,201,827

- Eliminate Medicaid Patient Access to Service System (MediPASS) patient management services

Iowans affected: 19,477 State dollars savings = \$169,639

- Reduce payments to health care providers?

<u>Across-the-board rate reduction</u>	<u>State dollars savings</u>
2.5%	\$12,330,000
5.0%	\$24,660,000
10.0%	\$49,318,000

- Increase member co-payments?

Federal rules limit co-payments to nominal amounts.

Iowa just raised co-payments for physician office visits and prescription drugs to the maximum allowable under federal law.

Individuals in nursing homes and ICF/MRs contribute all but \$30 per month of their income to the cost of care.

Medically Needy individuals have medical expenses that they are responsible for paying for that reduce their income to 65% of FPL.

- “Manage” care?

Iowa has 51,542 individuals enrolled in capitated Health Maintenance Organizations.

Iowa has 89,581 individuals enrolled in primary care case management.

Iowa has 256,170 individuals enrolled in the Iowa Plan for Behavioral Health.

Iowa is developing a Preferred Drug List for prescription drugs.

Iowa requires prior authorization for high-cost medical procedures.

Iowa requires a clinical evaluation before individuals are accepted for nursing home, ICF/MR and waiver services and has adopted case-mix adjusted rates for nursing homes.

Iowa is in the process of expanding its “lock-in” program (controls utilization by very high end users).

Iowa has a planned expansion of its disease management program.

Iowa has a planned expansion of its primary care case management program.

- Increase reliance on the private market?

Iowa has 51,542 individuals enrolled in capitated Health Maintenance Organizations. (Note: John Deere, one of three HMO serving the Medicaid population, recently withdrew from a number of counties in Iowa.)

Iowa has 256,170 individuals enrolled in the Iowa Plan for Behavioral Health.

Our *hawk-i* program relies solely on private insurers (premiums are rising faster than costs in Medicaid)

Iowa HIPP (Health Insurance Premium Payment Program)

Iowa Medicaid uses the same provider network as all other insurers in the State.

MEDICAID in IOWA

How can the Iowa Congressional delegation work with the State to address these impending concerns with CMS?

- **Thoughts?**
- **Ideas?**
- **Strategies?**