

## **DHS Analysis of FFY 06 Federal Budget Actions Impacting Human Service Programs**

There are three Congressional bills that have a direct impact on human service programs:

1. Labor-Health and Human Services Appropriation - which includes the funding levels for discretionary human service programs.
2. Budget Reconciliation (S. 1932, the Deficit Reduction Act of 2005) - which reduces mandatory spending over 5 years and makes changes to and reauthorizes Temporary Assistance to Needy Families (TANF). Likely to receive final House approval in January or early February 2006.
3. Defense Appropriation - which includes a 1% across the board cut to all discretionary programs, except those programs that serve veterans. Examples of human service discretionary programs include child care and development block grant and community services block grant.

### **Child Support Recovery**

1. The Deficit Reduction Act prohibits drawing federal match on earned performance incentive funds starting October 1, 2007. For high performance states, such as Iowa, the impact is significant. This change will result in a loss of \$13.5 million to the Iowa Child Support Recovery Unit (CSRU). This is over a 25% reduction in CSRU's operating budget and will negatively impact collections; Iowa families will potentially lose over \$78.3 million in child support collection per year.
2. Other reductions are:
  - Lower federal match for paternity tests from 90% to 66%, effective October, 1, 2006.
  - A new fee of \$25 for families receiving support services when the family is not on public assistance. The federal government receives 66% of the new fee, effective October, 1, 2006.
4. In addition, two new unfunded mandates are created related to medical support and the review and adjustment of public assistance cases.

### **TANF (Temporary Assistance for Needy Families)**

1. The Deficit Reduction Act implements a change that will require states to apply TANF work participation rates to separate state programs, effective October 1, 2006. Iowa, as well as at least 40 other states, uses a separate state program for its two-parent families. Iowa will be unable to meet the 90% two-parent work participation rate without significant additional resources. We estimate it will take at least \$5 million more annually to revamp Iowa's PROMISE JOBS program in order to achieve this level of work participation.
2. The bill eliminates the TANF high performance bonus. Iowa has received a TANF bonus the past 3 years, averaging almost \$6.0 million. Eliminating the bonus will have a direct impact on TANF funded programs and will require Iowa to reduce some TANF funded services.
3. TANF and Child Support Interrelationship - The reductions to the Iowa Child Support Recovery Unit and the resulting decreases in child support collections will also include decreased collections from assigned support from Family Investment Program (FIP) families. The state's share of the assigned support is used to pay for FIP cash grants and to meet our TANF MOE.
  - This means Iowa would face a shortfall of \$3.3 million in state funds needed for FIP cash grants.

- The combined reduction of \$6.6 million (\$3.3 million in reduced state share of collections and \$3.3 million in reduced TANF grant for not meeting MOE) will impact an estimated 1,656 families per month.

### **SCHIP (State Children's Health Insurance Program)**

The Deficit Reduction Act of 2005 included a nation-wide increase of \$283 million for providing additional allocations for States projecting SCHIP shortfalls in FFY 2006. Iowa is one of the states projecting a shortfall. Until the details of how this additional money will be allocated, we do not know whether it will be sufficient to meet the projected shortfall.

### **Medicaid**

The projected savings of the Deficit Reduction Act of 2005 are to be achieved by changing how Medicaid pays for prescription drugs; eliminating provider taxes and intergovernmental transfers; restricting asset transfers to become Medicaid-eligible; giving states new options for cost sharing; and projected savings resulting from reducing fraud, waste, and abuse. The Act also provides for additional federal scrutiny and oversight of states by providing for 150 new federal auditors. Several administrative and programmatic changes are also made, such as requiring states to document client citizenship prior to determining eligibility and allowing families with children with disabilities to "buy-in" to Medicaid.

### **Title IV-E Foster Care**

The Deficit Reduction Act of 2005 requires that eligibility be re-determined every 12 months and for candidacy every 6 months. Field Operations Appropriation - Iowa DHS currently re-determines eligibility every 12 months but does not re-determine candidacy every 6 months. The impact could cost an estimated \$1.1 million.

### **Child Care**

An additional \$1 billion is authorized in mandatory budget authority for child care from FFY 2006 through 2010. It is unknown how much of these additional child care dollars would be available to Iowa or whether the additional money will be sufficient to meet Iowa's child care needs. Our preliminary assessment is that the new TANF requirements are likely to require more child care funds than are estimated to be forthcoming from the federal government.

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact-- how much will the state need to make up	Other programs that will likely be impacted
<b>SEC. 6001.</b> - Federal Upper Payment Limits	The Federal Upper Limit is a maximum reimbursement amount for selected drugs, determined by the Centers for Medicare and Medicaid Services.	The bill changes how the Federal Upper Limit is calculated, from using 150% of the lowest published price to 250% of the average manufacturer price. The impact is to lower the maximum reimbursement that will be allowed for these drugs.	1/1/07	No impact to the consumer; it would impact providers (both prescribers and pharmacies).	Estimated savings of \$1 million in state funds for both the Federal Upper Limit and Physician Administered Drugs.	This may impact Iowa's State Maximum Allowable Cost (SMAC) list, which applies to generic drugs.  N/A
<b>SEC. 6002.</b> - Physician Administered Drugs	Iowa currently does not collect drug rebate on drugs administered in a physician office.	This would require states to collect rebates on these drugs. In order to do that, the physician will be required to submit additional data to the state Medicaid Program. A similar change has been recommended by DHS in the past and was considered in last year's budget process.	1/1/08	No impact to the consumer. Physicians will have to provide additional information on their claim forms.	Significant programming changes will be required. The costs for programming and provider training will offset some of the savings in the first year.	
<b>SEC. 6031.</b> Encouraging enactment of State False Claims Acts	Iowa currently does not have a State False Claims Act.  When states recover funds, the recovery is split between the state	This section reduces the amount that must be returned to the federal government by 10%, if the recovery action was under a state false claims act. This	1/1/07	Providers would have to pay greater penalties than under the current program. This could impact provider	Minimal increase in state recoveries. The state already recovers these types of overpayments,	N/A

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact-- how much will the state need to make up	Other programs that will likely be impacted
	and federal government at the Federal matching percentage (about 64%).	<p>increase the state share of the recovery from 36% to 46%.</p> <p>The bill is encouraging states to enact false claims acts as a tool to collect from providers who were paid for inappropriate claims. They require use of punitive actions against the provider, including up to triple damages. Typically used for purposeful or egregious actions by a provider.</p>		participation.	and it is anticipated a State false claims act would be rarely used. DHS's experience has been that Iowa provider overpayments are usually billing mistakes rather than purposeful false claims.	
<b>SEC. 6032.</b> Employee Education about Fraud and Abuse	Iowa currently does not have a requirement that a business (any provider having more than \$5M in Medicaid claims) educate its employees regarding fraud and abuse issues.	This section mandates that any provider that does more than \$5M in annual Medicaid business must have written documents and training for its employees discussing fraud and abuse issues including False Claims Act provisions, civil and criminal penalties, whistleblower protections, etc.	January 1, 2007	None	No impact to Medicaid.  Will have an increased cost to providers to develop training programs.	N/A
<b>SEC. 6033.</b> Prohibition on Re-Stocking and	Iowa currently does not monitor to ensure that pharmacies do not return	This section prohibits a pharmacy from restocking a drug that	1 <sup>st</sup> day of 1 <sup>st</sup> quarter following	None	We believe there is no fiscal impact to State, because	N/A

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
Double Billing of Prescription Drugs	drugs to inventory. Purchased drugs are to be dispensed to the client, and not returned to inventory, but no systematic process is in place to monitor this.	has been paid for by Medicaid unless the cost of the drug has been returned less a restocking fee.	enactment of the Act		we believe this is already prohibited, but we need to check with the Board of Pharmacy.	
SEC. 6034. Medicaid Integrity Program	Iowa currently conducts program audits, utilization reviews, Third Party Liability recovery, estate recovery, recipient health education, etc.	<p>The bill increases CMS's oversight of these activities. CMS is appropriated 100 additional FTEs, and significant new funding for these efforts (up to \$75 million by the fourth year) to increase audits and provide technical support to state Medicaid program.</p> <p>In addition, the bill requires data matching with Medicare to compare Medicaid and Medicare payments to identify provider fraud.</p>	Effective date of July 1, 2007 at the latest.	None.  Possible impact on provider from increased audit activity by both CMS and the state, particularly in the areas of HCBS waivers and managed care (identified as target areas by CMS).	Possible increased cost due to more audit findings against the state. Possible increased savings from the Medicare data match, and the technical support offered by CMS.  Net impact is unknown.	
SEC. 6035. Enhancing Third Party Identification and Payment	Requires Medicaid to pay all pharmacy, prenatal and preventive pediatric care claims up-front, and then "chase" the private insurer.	Allows states to eliminate "pay and chase", meaning bill the private insurer first, and then only pay the remainder, rather than Medicaid paying first	January 1, 2006.	None	In increased recoveries of an estimated \$4 million. Also, by obtaining the additional insurance	None

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
		<p>and trying to recover from the insurer at a later date.</p> <p>Also allows states to aggressively obtain TPL carrier policy information.</p>			<p>coverage information, many more claims would be cost-avoided, thus greatly reducing the state dollars paid initially.</p>	
<p><b>SEC. 6036.</b> - Demonstration Pilot for institutions for mental diseases (IMD) to supply stabilization of emergency conditions.</p>	<p>Per federal requirements, there is no Medicaid coverage for emergency services for persons ages 19-64 through the IMDs in Iowa.</p>	<p>Establishes a pilot program to allow certain IMDs to provide emergency services and to stabilize individuals in those emergency situations. The pilot is limited to IMDs that are not publicly owned or operated. Iowa does not have any such facilities and will not qualify to participate in the pilot program.</p>	<p>FFY 2006</p>		<p>No fiscal impact as Iowa has no qualifying facilities.</p>	<p>None</p>
<p><b>SEC. 6051.</b> - Managed Care Organization Provider Tax Reform</p>	<p>Iowa currently has no tax associated specifically with managed care organizations.</p>	<p>Changes federal definitions of the types of Managed Care Organizations included under state's provider taxes.</p>	<p>For any HMO contract in effect December 8, 2005.</p>	<p>None. There is currently no such tax on MCO premiums in Iowa.</p>	<p>No fiscal impact.</p>	<p>None</p>
<p><b>SEC. 6052.</b> - Targeted case management</p>	<p>Iowa rules define the case management service and process.</p>	<p>The bill sets certain definitions and limitations. Iowa rules are already in</p>	<p>1/1/06</p>	<p>None</p>	<p>None</p>	<p>None.</p>

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
		compliance with the changes				
<b>SEC. 6071. - Money-Follows-the-Person Demonstration Program</b>	Iowa currently offers Home and Community Based Waiver Services and has various initiatives to try to decrease use of institutional care. Iowa also has various quality initiatives.	Allows states to apply for demonstration programs to increase monitoring and improve the quality of Home and Community Based Services, and expand availability of HCBS services while reducing reliance on institutional long-term care services. Also includes increased ability for consumer self-direction.	1/1/2007	Positive impact to consumers from increased quality and choice, and availability of home based services.	Iowa has a number of initiatives that fall under the same goals as the demonstration program. The bill requires states to meet several measures of cost-effectiveness and maintenance of effort. More research is required to determine if there would be a benefit for Iowa to apply.	
<b>SEC. 6081. - Medicaid Transformation Grants</b>	The IowaCare health initiatives and the Iowa Medicaid Enterprise include a number of projects similar to those mentioned for the Medicaid Transformation Grants, such as electronic medical records and use of university based systems to increase access for the uninsured.	Allows states to apply for federal payments (NO state match required) to implement innovative methods, including use of Electronic Medical Records, increasing estate recovery, decreasing waste through PERM, medication risk management through	Allocates \$75M in FFY 2007, and \$75M in FFY 2008	Positive benefit to members from electronic medical records and medication risk management.  Possible positive benefit to university based hospitals.	Possible gain to the state, if we were to apply and be approved. Given similarity to other IME and IowaCare programs, Iowa should consider applying. Under our current initiatives we were planning to	None

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
		DUR, increasing use of generic drugs, and increasing access to physician care for the uninsured, using university based hospital/clinic systems.			need to use state match. If these grants could be drawn instead, less state funds might be needed, or can be further maximized.	
<b>SEC. 6082.</b> - Health Opportunity Accounts	State legislation (IowaCare Act) requires DHS to create a design plan for using Health Savings Accounts in the IowaCare program. These appear to be similar to the Health Opportunity Accounts.	Creates a program for up to 10 states to develop demonstration programs that would give a certain Medicaid population access to Health Opportunity Accounts (similar to Health Savings Accounts). The programs must include incentives to seek preventive services, reducing inappropriate use of health care services, etc.	January 1, 2007	Positive in that it would provide additional choice for members in how their benefits are delivered.	Neutral. We are required to develop a design plan for HSAs in IowaCare. We are considering a program on the "cash and counseling" model. It appears possible to do within this context.	None
<b>SEC. 6083</b> State option to establish non-emergency medical transportation program	Non-emergency transportation (such as to medical appointments) is currently covered. The service currently has low utilization. Also, there are not always providers available to provide this transportation.	The bill proposes that states have the option of developing a brokerage system for non-emergency transportation with certain parameters.  Iowa is already considering a similar program through the	Will be effective upon enactment of this Act.  DHS proposes to offer an RFP for a brokerage	This would be a benefit to our Medicaid members to be able to better function in their communities. It may in long run save money by use of a brokerage system.	A Real Choices Grant covers the cost of doing the survey and establishment of a broker for the most part.	



## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact-- how much will the state need to make up	Other programs that will likely be impacted
		IowaCare reform initiatives.	provider by October 1, 2006.			
<p><b>SEC. 6086(a)</b> – Expanded access to Home and Community Based Services for the elderly and disabled</p>	<p>The level of care criteria for nursing facility state plan services must be the same as for Home and Community Based waiver services (HCBS).</p> <p>Iowa’s current waiver covers individuals up to approximately 200% of the Federal Poverty Level (FPL).</p>	<p>Allows states to increase the level of care for nursing facilities while keeping the current level of care for HCBS services.</p> <p>This allows States to provide services currently only available under the waiver to <u>all</u> Medicaid enrollees under 150% FPL. This will allow more individuals under 150% FPL to qualify for these services.</p> <p>However, those between 150% and 200% FPL <u>who don’t meet the higher level of care</u> requirement for nursing facility will also no longer be eligible for Medicaid</p>	1/1/07	<p>This will allow more individuals under 150% FPL to qualify for HCBS services than under current federal requirements.</p> <p>This will result in some individuals (those at the current level of care, but who do not meet the new higher level of care) between 150% and 200% losing Medicaid coverage.</p> <p><b>**Only applies to new enrollees. Existing members are grandfathered in.</b></p>	<p>Could be accomplished with minimal state budget impact because the state has the option to limit services and the number of people, meaning we could continue to use waiting lists.</p>	

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
		<p>services, including either nursing facility or waiver services.</p> <p><b>**This only applies to new enrollees. Those currently receiving services would be grandfathered in.</b></p>				
<p><b>SEC. 6086 (F)(vi) &amp; (G)(iii) - Expanded access to Home and Community Based Services for the elderly and disabled</b></p>	<p>Iowa is in the process of implementing "self-direction" of home and community based services, sometimes called "cash and counseling" in June 2006. An evaluation is not currently required to determine if the person is able direct their services themselves.</p>	<p>Allows states to include self-direction in the new waiver services process described above.</p> <p>Under the bill, if a state offers individual the option to self-direct home and community based services, an evaluation will need to be completed to determine if they are able to direct services</p>	<p>1/1/2007</p>	<p>They will need to be evaluated before they are able to participate.</p>	<p>The impact will depend on how self-direction is incorporated into these efforts.</p>	
<p><b>SEC. 6087. - Optional choice of self directed personal assistance services (cash and counseling)</b></p>	<p>Currently Iowa does not cover personal care services under our state plan.</p>	<p>Allows states who choose to provide personal care services under the state plan, to allow those services to be self-directed. Iowa doesn't currently offer personal services under the state plan, so this has no impact.</p>	<p>1/1/2007</p>	<p>No impact on Iowans.</p>	<p>Increased cost if we decided to add this service to the state plan.</p>	

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
TANF – Work participation rates (FIP, PROMISE JOBS, FaDSS)	States must meet an all case 50% work rate at 30 hrs/week avg and 2-parent 90% rate at 35 hrs/week avg or 55 hrs/week avg if receiving federally funded child care. Separate State Programs or SSPs are exempt from work rates – Iowa’s 2-parent FIP cases are an SSP.	SSPs no longer exempt from work rates.	10/06	FIP 2-parent families will be expected to participate in enough hours in countable work activities to meet work rates. The emphasis on meeting work rates will require Iowa to adopt a more work focused approach and may require limitations on non-work activities, including education	Initial cost estimates <b>to meet</b> work rates are estimated at <b>\$4.67M</b> . Costs <b>of failing</b> to meet either rate include: an increase in Maintenance of Effort of \$4.13M penalties through reduced TANF funding. Penalties depend on which rate the state fails to meet and degree of failure; maximum penalty for failure to meet the all-case rate=\$4.6M; maximum penalty for failure to meet 2-parent only rate = \$392,000. States must replace any TANF reduction with state funds not countable for MOE.	TANF funds may need to be redirected from other programs to meet costs of meeting rates. Meeting work rates will result in increased childcare costs. As FIP families have priority for receiving childcare, increased expenditures for FIP childcare will reduce funding (state and federal) available for non-FIP families.
TANF – Caseload reduction credit for work rates (FIP, PROMISE JOBS, FaDSS)	States can reduce the work rates through caseload reduction credits comparing current caseloads to FFY 95 caseloads – Iowa’s adjusted all case rate for FFY 04 = 8.8%. As	Base year for comparison changed to FFY 2005	10/1/2006	See above. Additional 1-parent FIP cases will also be expected to participate in countable work activities.	Using FFY 2005 as the comparison year will mean smaller reductions so any adjusted rate will be closer to the required 50% and 90% rates. Estimated adjusted rates for FFY 07 are 47.3% for all cases	See above

## Federal Deficit Reduction Act RFI 6044

	noted above, Iowa did not have to meet the 2-parent rate for FFY 04.				and 80.3% for 2-parent. See above for costs of meeting work rates and of failing to meet rates.	
TANF – New federal oversight of defining and counting work activities and requirement to do data reporting of SSPs (FIP, PROMISE JOBS, FaDSS)	States have considerable flexibility in defining/counting hours in meeting work rates.  SSP's are not subject to quarterly data reporting.	By June 2006, HHS to issue regulations regarding: which activities count toward meeting work rates; methods for reporting and documenting/verifying hours; and when adults must meet rates. SSPs providing "assistance" become subject to quarterly data reporting.	10/1/006	May change what activities are counted towards work participation. This could limit what participants could do. Documentation/verification requirements may also have an impact on clients.	Expected restrictions on what counts as work and who must be counted are expected to make it more difficult to meet work rates – see estimated costs above. In addition, it's expected that significant system changes will be needed to comply with these regulations. Without additional details on these requirements, cost estimates are ball park at best. 4,000 hours X \$80/hr = \$320,000.	See above.
TANF – High Performance Bonuses	TANF high performance bonuses totaling \$200M are issued annually for high performance in a number of areas including obtaining/retaining employment. Iowa has received bonuses 6 out of 7 years averaging nearly \$6M the past 3 years.	High performance bonuses are eliminated after FFY 05.	Bonuses will be issued once more for FFY 05 in the fall of 2006.	Clients will be affected to the extent that funding of specific TANF-funded programs is decreased or eliminated.	The maximum possible bonus = \$6.6M	Reduces overall TANF funding – decisions will need to be made which programs will be affected (see list of TANF funded programs)

## Federal Deficit Reduction Act RFI 6044

<p>Transfer of Assets and Medicaid Eligibility</p>	<p>When determining if an asset transfer would disqualify a person from long term care services, Iowa: - looks back 60 months for transfer to a trust but only 36 months for all other transfers. The penalty period is calculated by dividing the value of the asset transferred by average cost of care to come up with the number of months the person could have paid privately. Those months are not covered. The penalty period: begins the penalty on 1<sup>st</sup> of month transfer made; applies penalty periods only for full months by rounding and covering partial months; applies a penalty period for each transfer separately; does not consider a note or loan a transfer of assets; does not consider purchase of life estate as an asset transfer,</p>	<p>When determining if an asset transfer would disqualify a person from long term care services under this bill: requires look back to be increased to 60 months for all transfers. The penalty period is calculated by dividing the value of the asset transferred by average cost of care to come up with the number of months the person could have paid privately. Those months are not covered this bill: requires the penalty period to begin on 1<sup>st</sup> of month transfer or 1<sup>st</sup> of month Medicaid eligible, whichever is later; requires the penalty period to apply to full and any partial month; allows the option of applying penalties for the total of all transfers made within the look back period; requires the State to consider a note or loan as a transfer of assets, unless the repayment meets</p>	<p>Upon enactment</p>	<p>Prevents disposing of assets in order to qualify for Medicaid. Fewer will qualify for Medicaid but the impact in Iowa will be minimal because Iowa already has a 5 year look back where the person that received the asset transfer is asked to repay Medicaid. Prevents potential clients from giving loans or gifts for 5 years prior to needing facility care.</p>	<p>Approximately 400 transfers of asset referrals are made in a year.</p>	<p>None</p>
--	---	--	-----------------------	--	---	-------------

## Federal Deficit Reduction Act RFI 6044

	<p>when the person fails to live on the property for one year after purchase; Allows applicant to be approved under a hardship waiver when criteria are met but does not provide for payment while hardship is determined.</p>	<p>specific criteria; requires the State to consider the purchase of life estate as an asset transfer, unless the person lives on the property for one year after the purchase; requires the State to approve under a hardship waiver when criteria are met and allows the State the option of paying facility care for up to 30 days while eligibility for the hardship is determined.</p>				
<p>Annuities – Medicaid</p>	<p>When determining eligibility, the applicant is asked whether they own or purchased an annuity. If the annuity is actuarially sound (pays out over the person's or their spouse's life expectancy), it is not considered a transfer of assets.</p>	<p>When determining initial eligibility and re-determination, under this bill - the individual is required to disclose their ownership interest in any annuity; requires that the State consider certain annuities as a transfer of assets, unless the State is named as beneficiary of the annuity; requires the State to notify the annuity company of the right as residuary beneficiary;</p>	<p>Upon Enactment</p>	<p>Prevents the use of annuities as a method of sheltering assets. May result in fewer eligibles either because of counting annuities or customer doesn't want to name DHS as beneficiary.</p>	<p>Minimal since Iowa collects from these annuities under estate recovery, except for annuities purchased in a spouse's name.</p>	<p>None</p>

## Federal Deficit Reduction Act RFI 6044

		Requires the State to treat the annuity as an asset transfer, unless the annuity meets specific criteria, including equal payments over the person's life expectancy.				
Community Spouse Resource allowance Income First	A single person must spend resources down to less than \$2,000 before they qualify for Medicaid payment of long-term care services. When determining if one member of a couple is eligible for Medicaid payment of long term care services, the couple is allowed to keep or protect some additional resources for the spouse at home and still qualify for Medicaid. Iowa considers only the at home spouse's own income when calculating the amount of additional resources that can be kept or protected.	When determining if one member of a couple is eligible for Medicaid payment of long term care services, this bill: requires the State consider all of the income a spouse living in the facility has available for the community spouse before allocating the amount of resources that can be protected for the spouse at home.	Upon enactment	A few couples may have to pay privately for an additional month.	Minimal since most couples will still qualify.	None
Long Term Care Partnership	Currently, only those states with an approved state plan	This bill permits new States to use Long Term Care	Upon enactment	None	None, since Iowa already has a plan.	None

## Federal Deficit Reduction Act RFI 6044

Plan Asset Disregards	amendment for asset disregards due to the Long Term Care Partnership Plan were allowed to exempt the assets for both eligibility determinations and estate recovery. Iowa had an approved State plan as of May 14, 1993.	Partnership Plans and allows the disregards of assets for both eligibility and estate recovery for those new States and imposes additional restrictions on States plans.				
Resource Exemptions When Determining Eligibility	A person must spend resources down to less than \$2,000 before they qualify for Medicaid payment of long-term care services. When determining what is a countable resource: a homestead is exempt, regardless of the value; no provisions are in place for how to count entrance fees paid to a continuing care retirement community.	When determining what is a countable resource, this bill: requires that the State limit the value of property that can be exempt as homestead to less than \$500,000 or at the State's option up to \$750,000. Requires the State to consider entrance fees paid to a continuing care retirement community as a countable resource in most cases.	January 1, 2006.	Only those with homes valued at more than the maximum will be affected.	Minimal	None
Verification of Citizenship	Verification of citizenship is not required for those who claim to be U.S. citizens or nationals.	Proof of citizenship will be required for all Medicaid applicants and recipients who claim to be U.S. citizens or nationals. Specifies limited	July 1, 2006	Medicaid members will be required to pay \$15.00 per person for birth certificates, if the family does not currently have documents to verify citizenship.	No fiscal impact to state	None



## Federal Deficit Reduction Act RFI 6044

		types of documentation that can be used as proof, such as birth certificates.				
<b>SCHIP – Additional Allotments to Eliminate FY 2006 Funding Shortfalls</b>	<p>In general, funds for the SCHIP program are authorized and appropriated for FY1998 through FY2007. From each year's appropriation, a state is allotted an amount determined by a formula set in law. Federal funds not drawn from a state's allotment by the end of each fiscal year continue to be available to that state for two additional fiscal years.</p> <p>At the end of the three-year period, unspent funds from the original allotment are reallocated in ways that vary depending on the fiscal year. The original SCHIP law, (i.e., BBA97), specifies that only those states that spend all of their original allotment by the applicable</p>	<p>Authorizes and appropriates \$283 million for the purpose of providing additional SCHIP allotments to shortfall states in FY 2006. Shortfall states are defined as those with an approved SCHIP plan for which (based on the most recent SCHIP data as of December 16, 2005) the Secretary estimates that such state's FY2006 projected expenditures exceed the sum of all funds available for expenditure by that state in FY2006 including: (1) the amount of such state's FY2004 and FY2005 original allotments that will not be expended in FY2005; (2) the amount, if any, that is redistributed to such state during FY2006; and (3) the amount</p>	Effective upon the enactment.	Positive impact for lowans. Iowa is one of the states that is projecting a shortfall in FFY 2006, and this additional allotment is intended to make the necessary federal dollars available for Iowa to avoid the federal funding shortfall.	This legislation makes additional federal funds available to Iowa so that the gap in funding does not have to be replaced with state dollars, or program cuts made.	N/A

## Federal Deficit Reduction Act RFI 6044

	<p>three-year deadline would receive redistributed funds from the other states' unspent allotments, based on a process determined by the Secretary of Health and Human Services (HHS); and these redistributed funds would be available for one year. However, later laws (i.e., P.L. 106-554 and P.L. 108-74) overrode how the reallocation of unspent FY1998 to FY2001 original allotments would occur.</p> <p>The redistribution of unspent FY2002 SCHIP original allotments was determined by the Secretary of HHS in accordance with the default redistribution provision in Balanced Budget Act of 1997 (BBA '97). Under current law, unspent original allotments from FY 2003 forward are to be</p>	<p>of such state's FY2006 original allotment. According to Federal Funds Information for States (FFIS) in <i>Issue Brief 06-03: Possible SCHIP Shortfalls; Territorial Medicaid Ceilings</i>, January 9, 2006, the following jurisdictions are likely to have 2006 shortfalls: Illinois, Iowa, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, North Carolina, North Dakota, Rhode Island, South Dakota, Puerto Rico, the U.S. Virgin Islands and the other territories.</p> <p>From the additional SCHIP appropriation, each FY 2006 shortfall state will receive an allotment to cover its projected shortfall or, if the appropriated funds are inadequate to cover the FY 2006 projected shortfalls, the Secretary must</p>				
--	--	--	--	--	--	--

## Federal Deficit Reduction Act RFI 6044

	<p>redistributed according to the original BBA '97 methodology. That is, redistributed funds will go only to those states that spend all of their original allotments by the applicable three-year deadline, with the redistributed amounts determined by the Secretary of HHS and made available for one year only.</p>	<p>distribute the available funds on a pro rata basis based on each such state's estimated shortfall. The additional SCHIP allotments are available for one year only must be made on behalf of targeted low-income children.</p> <p>On October 1, 2006, any remaining unspent additional allotments will not be subject to redistribution, but will instead revert to the Treasury. Applies to items and services furnished on or after October 1, 2005, without regard to whether or not regulations implementing such amendments have been issued.</p>				
<p><b>SCHIP-Prohibition Against Covering Childless Adults Sec. 6102</b></p>	<p>Section 1115 of the Social Security Act provides the Secretary of Health and Human Services (HHS) with broad authority to conduct research and demonstration</p>	<p>Limits the authority of the HHS Secretary to approve Section 1115 waivers that allow federal SCHIP funds to be used to provide assistance to childless adults</p>	<p>Effective upon the enactment.</p>	<p>Currently, Iowa does not cover adult populations, but it will limit the options that Iowa has for covering this population with Title XXI funds. There is a positive impact to Iowa, in that the provision will limit funding to child populations, upon</p>	<p>May have a positive impact for Iowa, as this limits the populations that can be covered with Title XXI, and may increase the allotment amounts and the re-distribution</p>	<p>N/A</p>

## Federal Deficit Reduction Act RFI 6044

	<p>projects under six programs, including Medicaid and SCHIP. Under Section 1115 authority, the Secretary may waive certain statutory requirements for conducting these projects.</p> <p>For SCHIP, no specific sections or requirements are cited as "waivable." SCHIP statute simply states that Section 1115, pertaining to research and demonstration projects, applies to SCHIP.</p> <p>Under the Bush Administration, a new Health Insurance Flexibility and Accountability (HIFA) Initiative was implemented using 1115 waiver authority for both Medicaid and SCHIP. The goals of this initiative are to encourage new approaches that will increase the</p>	<p>(provides an exception for pregnant women). The provision would allow the Secretary to continue to approve projects that expand the SCHIP program to caretaker relatives of Medicaid or SCHIP-eligible, and to pregnant adults.</p> <p>Provides for the continuation of existing Medicaid or SCHIP waiver projects (and/or extensions, amendments, or renewals to such projects) affecting federal SCHIP funds that had been approved under the Section 1115 waiver authority before the date of enactment.</p>		<p>enactment, thus limiting the use of federal Title XXI dollars. This may increase the amount of funds available for re-distribution.</p>	<p>amounts to states.</p>	
--	--	--	--	--	---------------------------	--

## Federal Deficit Reduction Act RFI 6044

	number of individuals with health insurance coverage within current program resources, with a particular emphasis on broad statewide strategies that maximize private health insurance coverage options and target individuals with income below 200% of the federal poverty level.					
<b>SCHIP-</b> Continued Authority for Qualifying States to Use Certain Funds for Medicaid Expenditures Sec. 6103	For specific Medicaid expenditures occurring after August 15, 2003, current law permits certain states to receive the federal SCHIP matching rate for the coverage of certain children enrolled in regular Medicaid (not an SCHIP Medicaid expansion). Specifically, for services delivered to Medicaid beneficiaries under the age of 19 who are not otherwise eligible for SCHIP and have	The provision would continue the authority for qualifying states (Qualifying states are: Connecticut, Hawaii, Maryland, Minnesota, New Hampshire, New Mexico, Rhode Island, Tennessee, Vermont, Washington and Wisconsin), to apply federal SCHIP matching funds toward the coverage of certain children enrolled in regular Medicaid (not an SCHIP Medicaid expansion). Specifically, the provision would	Effective on or after October 1, 2005.	Iowa does not currently use federal SCHIP funds toward the coverage of certain children enrolled in <b>regular</b> Medicaid.	Neutral	N/A

## Federal Deficit Reduction Act RFI 6044

	<p>family income that exceeds 150% of the FPL, federal SCHIP funds can be used to pay the difference between the SCHIP enhanced federal matching rate and the regular Medicaid federal matching rate the state receives for these children. The maximum amount that qualifying states may claim under this allowance is the lesser of the following two amounts: (1) 20% of the state's available FY 1998 through FY 2001 original SCHIP allotments; and (2) the state's balance (calculated quarterly) of any available FY1998 to FY 2001 federal SCHIP funds (original allotments or reallocated funds). If there is no balance, states may not claim 20% spending.</p> <p>Qualifying states include those that</p>	<p>allow qualifying states to use any available FY 2004 and FY 2005 SCHIP funds (i.e., FY2005 original allotments, and/or FY2004 and FY2005 retained allotments or redistributed funds, as the case may be) for Medicaid services made on or after October 1, 2005 under the 20% allowance.</p>				
--	---	---	--	--	--	--

## Federal Deficit Reduction Act RFI 6044

	<p>on or after April 15, 1997, had an income eligibility standard for children (other than infants) of at least 184% of the FPL. (Other qualifications apply to states with statewide waivers under Section 1115 of the Social Security Act.).</p> <p>Under current law, no 20% spending will be permitted in FY 2006 or any fiscal year thereafter.</p>					
<p><b>SCHIP</b> –Hold harmless for Katrina Impact Sec. 6053 (b)</p>	<p>The federal medical assistance percentage (FMAP) is the rate at which states are reimbursed for most Medicaid service expenditures. It is based on a formula that provides higher reimbursement to states with lower per capita incomes relative to the national average (and vice versa); it has a statutory minimum of 50% and maximum of 83%.</p>	<p>Authorizes the HHS Secretary to for purposes of computing Medicaid and SCHIP federal matching rates (FMAPs) for any year after 2006 for a state that the Secretary determines has a significant number of individuals who were evacuated to and live in the state as a result of Hurricane Katrina as of October 1, 2005, to disregard the evacuees and their incomes.</p>	<p>Effective on or after October 1, 2005.</p>	<p>Does not impact Iowa</p>	<p>Neutral</p>	<p>N/A</p>

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
Child Care (CCDF)	NA	\$1B increase in mandatory funding (5 years) – Iowa = \$1.8M/year No CCDF policy changes were included	\$200M/year increase retroactive to fiscal year 2006	While the DRA provides additional federal funds for childcare, this increase is insufficient to meet both the childcare caseload growth/increased costs projected exclusive of any impact from the DRA, and the additional demand for childcare/costs estimated needed to meet increased TANF work rates under the DRA effective 10-1-06. As current state law prohibits waiting lists for childcare for FIP families, any anticipated	Although the \$1.8M increase in federal childcare funding is expected to be sufficient to cover any increase in childcare for FIP families to meet TANF work rates under the DRA, it will have little effect, if any, on any shortfall resulting from the childcare caseload growth/increased costs projected exclusive of any impact from the DRA.	TANF



## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
				shortfall in total funding to meet all childcare needs will affect non-FIP families.		
IV-E Admin claiming for candidates for foster care.	Currently there is no specific policy that mandates a specific 6 month review for foster care candidacy status.	Determinations would be required every 6 months for children that are considered candidates for foster care.	10/1/05	Failure to complete the required determinations would result in a loss of \$1.1M in federal funding. This would in turn result in fewer DHS social workers, diminishing DHS ability to protect children and help meet their needs.	In order to complete the determinations and avoid the loss of \$1.1M, DHS would need <ul style="list-style-type: none"> <li>• Staff to complete determinations</li> <li>• Staff training</li> <li>• Computer system changes</li> </ul> Total state cost \$282,067.	NA
Sec. 7309: Child support incentives	Federal Financial Participation for federal incentives earned is 66%	No Federal Financial Participation for federal incentives earned	10/1/07	Families will lose up to \$66.5M in collections.	Child Support Recovery Unit loses \$13.5M in federal funding.	TANF loses \$3.3M state share of collections.
Sec. 7310: Child support fee	No annual fee for any child support cases.	\$25 annual fee for cases that were never on FIP after \$500 of support is collected each year. Must pay 66% to federal government. State choice on who pays:	10/1/07	Collections may decrease depending on who pays.	Minimal fiscal impact depending on who pays.	None identified. Effective date assumes Federal Office of Child Support Enforcement will agree Iowa needs to change legislation to

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
		custodial parent, noncustodial parent, or State.				implement.
Sec. 7307: Child support medical support	If a noncustodial parent has health insurance available through employer at reasonable cost, medical support provisions must be in the order. We do not enforce medical on cases with orders with provisions for custodial parent to provide medical.	The state must seek orders for medical support from either parent who has health insurance provided by the employer, and enforce these orders. There appears to be a broader definition of medical support not yet clarified.	10/1/07	Decrease in collections if staff are diverted from collecting support to amend orders and if CSRU needs to begin enforcement against the custodial parent.	Unknown fiscal impact. Federal government is to issue regulations.	For those parents who do not have access to health insurance, it is unclear if the mandate to include medical support in all orders will increase coverage for children. Medicaid may see decrease in costs.
Sec. 7302: Child support Review and Adjust	Child support is required to notify parents of their right to request a review and adjustment every three years.	Mandatory Review and Adjust for all FIP cases every 3 years.	10/1/07	Decrease in collections if staff are diverted from collecting support. Potentially lower obligation amounts.	Unknown fiscal impact.	If staff are diverted or if obligation amounts on FIP cases are lower, decrease in TANF collections.
Sec. 7308: Child support genetic	Federal Financial Participation for genetic testing is 90%	Federal Financial Participation for genetic testing is 66%	10/1/06	Minimal impact.	Child Support Recovery Unit loses \$35,477 in	None identified.

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
testing Federal Financial Participation					federal funding.	
Sec. 7301: Child Support assignment	Families assign all unpaid prior child support in addition to the months they receive FIP to the state.	Families who begin receiving FIP on or after 10/1/09 will only assign support accruing during the months they receive FIP.	10/1/09	Increase amount of collections families keep.	Unknown fiscal impact. Decrease in collections reimbursing TANF assistance paid.	TANF loses unknown amount of collections.
Sec. 7301: Optional Child support distribution		Options are provided to send more money to families rather than keeping as reimbursement for TANF benefits.	10/1/09	No impact if options are not implemented.	No fiscal impact if options are not implemented.	None identified.
Sec. 7301: Child support federal income tax offset	Federal income tax refunds are offset to collect past due support on nonpublic assistance children only if they are still minors.	Offsets can be made on nonpublic assistance children who are no longer minors.	10/1/07	Increase nonpublic assistance collections.	Minimal fiscal impact.	None identified.
Sec. 7301: Child support automated expedited interstate collections	States may only open a case on ICAR for all establishment and enforcement services.	States may open a case on ICAR for limited enforcement services.	10/1/07	Unknown impact.	Unknown fiscal impact.	None identified.
Sec. 7303: Child support	Passport sanction initiated if obligor	Passport sanction initiated if obligor over \$2500	10/1/07	Increase non-public	Minimal fiscal impact.	None identified. Effective date assumes

## Federal Deficit Reduction Act RFI 6044

Subject Matter	Current Policy (Now)	DRA Federal directive (Future)	Effective Date (bullet FY 06,07 etc)	Impact on customers	Fiscal impact--how much will the state need to make up	Other programs that will likely be impacted
passport sanction	over \$5000 delinquent.	delinquent.		assistance collections.		Federal Office of Child Support Enforcement will agree Iowa needs to change legislation to implement.
Sec. 7306: Child support insurance claims match	Insurance claims match is not conducted by federal government and participation is voluntary.	Insurance claims match may be conducted by federal government.	When federal govt is ready.	None. Iowa already participates in match voluntarily.	None. Iowa already participates in match voluntarily.	None identified.