

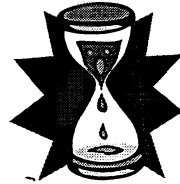
Senior Living Trust Fund

SENIOR LIVING TRUST FUND



The Senior Living Trust Fund was established by the 2000 General Assembly to receive intergovernmental transfers from participating, government-owned nursing facilities. The funds are derived by calculating the difference between the Medicaid reimbursement rate paid to nursing facilities and the Medicare rate, which is typically higher. The federal matching funds collected on this difference are deposited into the Fund.

Section 249H.2(2), Code of Iowa, specifies that the goal of the Senior Living Program is to create a comprehensive long-term care system that is consumer-directed, provides a balance between the alternatives of institutionally and non-institutionally provided services, and contributes to the quality of the lives of Iowans.



The Fund is a time-limited revenue source, and deposits are expected to decrease significantly beginning in FY 2005 and beyond due to the phase-down of this particular Intergovernmental Transfer (IGT). However, recent actions at the federal level indicate that all of the State's IGT revenues will be discontinued in FY 2006. During the last year, the federal Centers for Medicare and Medicaid Services (CMS) has put significant pressure on all states to negotiate an end to IGTs. The Department of Human Services (DHS) developed a proposal to phase-out Iowa's IGTs; however, the CMS has not yet taken action on the proposal.

The Governor's FY 2005 supplemental appropriations recommendation includes a decrease in the appropriation for the Medical Assistance (Medicaid) Program from the Senior Living Trust Fund of \$40.0 million. This decrease is offset by an increase of \$40.0 million from the General Fund.

For FY 2006, the Governor is recommending that \$10.0 million in anticipated savings from the Medicaid Program be transferred to the Fund. The savings initiatives were not specifically identified. The Governor is also recommending that a total of \$137.5 million be appropriated from the Fund to the Departments of Human Services (DHS), Elder Affairs, and Inspections and Appeals. This is a decrease of \$27.5 million compared to the original FY 2005 appropriations (prior to the supplemental recommendations). The appropriations include:

- ***\$127.7 million to the DHS to supplement the Medical Assistance (Medicaid) Program. This is a decrease of \$3.9 million compared to the original FY 2005 appropriation.***
- ***\$824,000 to the DHS for reimbursements for home and community-based services under the Medicaid Elderly Waiver. This is a decrease of \$909,000 compared to the original FY 2005 appropriation. Of this amount, \$700,000 for the Rent Subsidy Program is transferred to the Iowa***



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Finance Authority and funded from the General Fund, and \$209,000 is due to a decrease in the DHS administrative costs.

- **\$8.2 million to the Department of Elder Affairs for non-Medicaid home and community-based services for seniors.**
- **\$800,000 to the Department of Inspections and Appeals for the oversight of assisted living and adult day services programs.**
- **The Governor recommends eliminating \$20.0 million for nursing facility conversion grants.**

The following table provides projections for the Senior Living Trust Fund using the Governor's recommendations for FY 2005 and FY 2006, which assumes that IGT revenue of \$5.5 million will be received in FY 2006. If the Governor's recommendations are enacted, the Fund will have an ending balance of \$53.0 million at the close of FY 2006. This amount will be less if the IGT revenue is discontinued in FY 2006.

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(Dollars in Millions)

	Actual FY 2004	Estimated FY 2005	Gov's Rec. FY 2005	Gov's Rec. FY 2006
Revenues				
Beginning of SFY Fund	\$ 366.8	\$ 285.7	\$ 285.7	\$ 171.7
Intergovernmental Transfer	52.9	5.5	5.5	5.5
Transfer from Medical Assistance (Medicaid)	0.0	0.0	0.0	10.0
Interest	7.3	5.5	5.5	3.3
Total Revenues	\$ 427.0	\$ 296.7	\$ 296.7	\$ 190.5
Expenditures				
DHS Grants and Services				
NF Conversion Grants/LTC HCBS Funds	\$ 0.6	\$ 20.0	\$ 20.0	\$ 0.0
NF Conversion Grant Carry Forward	0.0	2.7	2.7	0.0
Assisted Living Rent Subsidy	0.5	0.7	0.7	0.0
Medicaid HCBS Elderly Waiver	0.7	0.7	0.7	0.7
NF Case Mix Methodology	30.0	30.0	30.0	30.0
Medicaid Supplement	101.6	101.6	101.6	97.7
Medicaid Deappropriation	0.0	0.0	-40.0	0.0
DHS Administration & Contracts	0.0	0.3	0.3	0.1
DEA Service Delivery	7.5	8.2	8.2	8.2
DIA - Asst'd. Living & Adult Day Care Oversight	0.4	0.8	0.8	0.8
Total Expenditures	\$ 141.3	\$ 165.0	\$ 125.0	\$ 137.5
Ending Trust Fund Value	\$ 285.7	\$ 131.7	\$ 171.7	\$ 53.0

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Repayment Provisions

During the 2004 Legislative Session, the General Assembly passed House File 2039 (98.0% Expenditure Limitation Act), which required that at the close of FY 2006, an amount equal to 1.0% of the adjusted revenue estimate from the General Fund surplus be appropriated to the Senior Living Trust Fund before the surplus is transferred to the Cash Reserve Fund. If the surplus is less than 2.0%, the amount appropriated to the Fund will be equal to one-half of the surplus. These appropriations are to continue until \$118.0 million has been deposited. ***Under the FY 2006 Governor's recommendations, and prior to any appropriations for salary adjustments, the LSA estimates the Senior Living Trust Fund would receive \$49.0 million from the estimated surplus at the beginning of FY 2007. This estimate could change significantly based on legislative action.***



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**SENIOR LIVING TRUST FUND
LEGISLATIVE SERVICES AGENCY, FISCAL SERVICES DIVISION**

	Actual FY 2001	Actual FY 2002	Actual FY 2003	Actual FY 2004	Estimated FY 2005	Gov's Rec. FY 2005	Gov's Rec. FY 2006
Revenues							
Beginning of SFY Fund	\$ 0	\$ 60,891,949	\$ 127,046,631	\$ 366,831,372	\$ 285,736,450	\$ 285,736,450	\$ 171,668,869
Intergovernmental Transfer	95,621,331	129,880,808	120,587,491	52,876,607	5,453,818 ⁶	5,453,818	5,453,818
Intergovernmental Transfer (Hospital Trust Fund)	0	13,203,977	0	0	0	0	0
Medicaid Transfer	0	5,964,781	28,039,039	0	0	0	10,000,000
Pending Fund Transfer	0	0	169,484,518 ¹	0	0	0	0
Interest	3,807,946	4,408,806	6,358,599	7,297,465	5,459,818	5,459,818	3,321,050
Total Revenues	\$ 99,429,277	\$ 214,350,321	\$ 451,516,278	\$ 427,005,444	\$ 296,650,086	\$ 296,650,086	\$ 190,443,737
Expenditures							
DHS Grants and Services							
NF Conversion Grants/LTC HCBS Funds	\$ 454,258 ²	\$ 7,939,565 ³	\$ 1,791,701	580,780 ⁴	\$ 20,000,000 ⁵	\$ 20,000,000	\$ 0
NF Conversion Grant Carry Forward	0	0	0	0	2,675,693	2,675,693	0
Assisted Living Rent Subsidy	0	75,552	283,817	529,153	700,000	700,000	0
Medicaid HCBS Elderly Waiver	0	710,000	710,000	710,000	710,000	710,000	710,000
NF Case Mix Methodology	33,650,000	24,750,000	29,950,000	29,950,000	29,950,000	29,950,000	29,950,000
Medicaid Supplement	0	48,500,000	45,465,000	101,600,000	101,600,000	61,600,000	97,700,000
DHS Administration & Contracts	341,792	7,050	0	0	323,406	323,406	114,483
DHS Total	\$ 34,446,050	\$ 81,982,167	\$ 78,200,518	\$ 133,369,933	\$ 155,959,099	\$ 115,959,099	\$ 128,474,483
DEA Service Delivery							
Senior Living Program	\$ 3,798,109	\$ 4,897,625	\$ 5,987,285	\$ 6,965,460	\$ 7,698,461	\$ 7,698,461	\$ 7,698,461
Administration & Contracts	293,169	423,898	497,103	523,657	523,657	523,657	523,657
DEA Total	\$ 4,091,278	\$ 5,321,523	\$ 6,484,388	\$ 7,489,117	\$ 8,222,118	\$ 8,222,118	\$ 8,222,118
DIA - Asst'd. Living & Adult Day Care Oversight	\$ 0	\$ 0	\$ 0	\$ 409,944	\$ 800,000	\$ 800,000	\$ 800,000
Total Expenditures	\$ 38,537,328	\$ 87,303,690	\$ 84,684,906	\$ 141,268,994	\$ 164,981,217	\$ 124,981,217	\$ 137,496,601
Ending Trust Fund Value	\$ 60,891,949	\$ 127,046,631	\$ 366,831,372	\$ 285,736,450	\$ 131,668,869	\$ 171,668,869	\$ 52,947,136

¹ A Pending Fund was established to receive funds not yet available for appropriation. After the federal government approved the funds for expenditure, the moneys were transferred to the regular Senior Living Trust Fund.

² Of the \$20.0 million appropriation for nursing facility conversion grants, \$15.9 million was transferred to the Medical Assistance Program (Medicaid) for FY 2001.

³ HF 2245 (FY 2002 Medical Assistance Program (Medicaid) Supplemental Act) transferred \$9.5 million from the conversion grant appropriation to Medicaid.

⁴ Of the \$20.0 million appropriation, the DHS obligated \$3.3 million.

⁵ Of the \$20.0 million appropriated, \$2.0 will be transferred to Medicaid for an inflation adjustment for nursing facility reimbursements, and \$7.0 million is allocated to the Iowa Finance Authority (IFA) for revolving funds that will support alternative long-term care services.

⁶ Deposits from the Intergovernmental Transfer mechanism are likely to be discontinued by the federal gov't. after FY 2005.

Assumptions:

Appropriations for future fiscal years will continue at the FY 2005 levels.

Assumes any future increases for nursing facilities will be paid by the General Fund.

Projections provided by the LSA may differ with those provided by the Dept. of Management due to slight differences in interest calculations.

KEY: NF = Nursing Facility LTC = Long-Term Care DEA = Dept. of Elder Affairs DIA = Dept. of Inspections & Appeals