

## **MEDICAID ESTIMATES FOR FY 2006 AND FY 2007**

Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on October 21st to discuss final expenditures for FY 2005 and estimated expenditures for the Medical Assistance (Medicaid) Program for FY 2006. The three staffs meet monthly to discuss estimated expenditures for the current fiscal year and to agree on a range for expenditures

### **FY 2005: A surplus of \$6.8 million**

Senate File 342 (FY 2005 Supplemental Appropriations Act) included a FY 2005 supplemental appropriation of \$70.0 million for Medicaid. The final result at the end of FY 2005 was a surplus of \$6.8 million. \$6.8 million is 1.1% of the \$629.0 million of State funds appropriated for Medical Assistance for FY 2005. Increases in pharmaceutical rebates and delayed claims processing are factors that may have contributed to the difference between the estimated \$70 million need and the actual costs. The reversion from the Medical Assistance Program will transfer to the Senior Living Trust Fund pursuant to SF 2298 (FY 2005 Omnibus Appropriations Act), Section 169. These funds will decrease the FY 2007 built-in cost from the Senior Living Trust Fund, which does not have an adequate balance to maintain the same appropriation amount.

### **FY 2006: A deficit of \$39.0 to \$54.0 million**

House File 825 (FY 2006 Health and Human Services Appropriations Act), as amended by HF 882 (FY 2006 Standings Appropriations Act) and HF 841 (IowaCare Medicaid Reform Act), includes total State funding of \$704.4 million for Medicaid for FY 2006. It was discussed during the 2005 Legislative Session that this level of funding is not likely sufficient to fully fund Medicaid and a shortfall is anticipated. The three staffs agreed to an estimated shortfall range of \$39.0 to \$54.0 million for FY 2006. This is compared to the previous range of a deficit of \$42.0 million to \$63.0 million.

The shortfall estimate includes the following assumptions:

- Enrollment growth of 3.8% to 5.8%. The FY 2006 appropriation is based on a 3.5% enrollment growth. This difference results in increased expenditures of between \$10.0 and \$20.0 million. Enrollment growth was 5.8% for FY 2005. Enrollment into the IowaCare Program may increase enrollment into the Medicaid Program.
- An estimated net cost of \$12.9 million due to provisions included in HF 841 (IowaCare Medicaid Reform Act).
- A shortage of \$6.4 million due to the FY 2005 supplemental not being fully incorporated into the FY 2006 appropriation.
- Items where savings were assumed but the corresponding statutory changes were eliminated totaled \$3.1 million, including \$1.0 million for Pay and Chase, \$101,000 for a technical adjustment, and \$2.0 million for a reduction in HF 882.

- Funds to pay for a settlement pending with the federal Centers for Medicare and Medicaid Services (CMS) related to financial audits of the Adult Rehabilitation Option (ARO) service providers. The CMS report included findings against the State and providers of approximately \$6.2 million, which is required to be repaid to the federal government.
- Funds to pay for an anticipated federal Medicare Part D Drug Benefit woodwork effect that are greater than earlier anticipated. This expense will occur in only the second half of FY 2006 since the Part D Benefit does not begin until January. The downward revision of this estimate from \$17.0 million to \$8.0 million accounts for a large part of the downward revision in the supplemental estimate.
- Funds to pay for a small amount of FY 2005 claims not processed before August 26, 2005 that will be paid from the FY 2006 appropriation.
- An estimated \$6.5 million to fulfill the 3% provider increase to nursing facilities. Payments to the nursing facilities do not include any inflationary increases.
- A payment of about \$3.3 million to the Iowa Veterans' Home. Due to enacted federal legislation effective November, 2004, per diems can no longer be counted toward an individual veteran's contribution. The State is expected to make up this difference for FY 2006 and 8 months of FY 2005.

**Waiver Waiting Lists** House File 825 included an increase of \$6.0 million to eliminate the Home and Community-Based Services Waiver waiting lists. Since the Waivers are not considered an entitlement, typically this would be delayed due to the shortfall in Medicaid. Legislative intent, however, was clear that this funding be allocated to waiting lists despite the known supplemental need.

The DHS has initiated the process for providing waiver services for those who have been on the waiting list. In January 2005, it was estimated that \$6.0 million was needed to eliminate the waiting lists as of that time. Since the waiting lists may have increased, or costs may have changed, the \$6.0 million may not fully eliminate waiting lists. In addition, the intent was not that waiting lists be eliminated in total going forward. The \$6.0 million will be used to add as many as possible, then as new people become eligible, they will be added to the waiting list.

**Other Issues** The federal action anticipated as a result of the enacted multi-year budget has not been adopted, although reductions in federal payments for nontraditional Medicaid services, such as Adult Rehabilitative Option (ARO) and Rehabilitative Treatment Support Services (RTSS) for FFY 2006 are possibilities.

Due to a software problem, 177,000 claims currently await processing through IME. It is not yet known how much this backlog has affected the expenditures for the first three months of FY 2006. This issue should be resolved by the November meeting.

The Legislature funded only \$2.0 million of the \$3.0 million that was appropriated to Broadlawns to finance IowaCare in FY 2006.

Although this meeting was concentrated on the FY 2006 supplemental appropriation, the projected need for FY 2007 should be discussed in detail at the November meeting.

**Next meeting** At the next meeting scheduled for November 18, the FY 2007 built-in estimates and the FY 2006 shortfall will be discussed.

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