



**Financial Impact Review of the  
Affordable Care Act  
as Amended by H.R. 4782,  
the Reconciliation Act of 2010, and  
the Supreme Court of the United States June 29, 2012 Decision,  
on the Iowa Medicaid Budget**

**Medicaid Expansion to 100% FPL**

Prepared for:  
**Iowa Department of Human Services  
Iowa Medicaid Enterprise**

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This report assumes that the reader is familiar with the State of Iowa's Medicaid program and Federal healthcare reform. The report was prepared solely to provide assistance to IME to model the financial impact of federal healthcare reform provisions. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

## TABLE OF CONTENTS

<b>I. EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>II. UNIQUE ASSUMPTIONS IN THIS ANALYSIS</b> .....	<b>7</b>
<b>III. METHODOLOGY AND KEY ASSUMPTIONS</b> .....	<b>8</b>
Medicaid Assistance Expansion to 100% of FPL .....	9
CHIP/ <i>hawk-i</i> Program : Enhanced FMAP .....	11
Increase in Primary Care Physician Fees to 100% of Medicare .....	11
Foster Care Children Expansion to Age 26 .....	12
Pregnant Women and Infants Above 100% of FPL.....	12
Breast and Cervical Cancer Program .....	12
Medicaid for Employed People with Disabilities .....	12
Transition of Family Planning Waiver and IowaCare Programs.....	12
Transition of Medically Needy Program .....	12
Transition of Dependent Persons Program .....	13
DSH Reduction .....	13
Ongoing Administrative Expenditures .....	13
General Assumptions .....	14
<b>IV. OTHER ISSUES NOT MODELED</b> .....	<b>15</b>
<b>V. CAVEATS AND LIMITATIONS</b> .....	<b>16</b>

## EXHIBITS

- Exhibit 1: Impact of Health Reform on Iowa’s Medicaid Budget – Moderate Scenario
- Exhibit 2: Impact of Health Reform on Iowa’s Medicaid Budget – Low Scenario
- Exhibit 3: Estimated Medicaid Expansion Population – Moderate Scenario
- Exhibit 4: Estimated Medicaid Expansion Population – Low Scenario

## I. EXECUTIVE SUMMARY

Milliman, Inc. (Milliman) was retained by the Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME) to perform analysis related to changes to the Medicaid program resulting from Federal healthcare reform. This report documents the results of our financial impact review of the Patient Protection and Affordable Care Act of 2010 and the Healthcare and Education Reconciliation Act of 2010, collectively referred to as the Affordable Care Act (ACA) and the Supreme Court of the United States June 29, 2012 decision. Our results calculate Iowa's Medicaid budget exposure; they are not a full economic impact to the State of Iowa or a cost/benefit analysis of Medicaid expansion. This report assumes that the State of Iowa will be able to receive federal funding with partial expansion. On July 2, 2012, the National Governor's Association submitted a letter to Health and Human Services (HHS) to request clarification on this topic. After our study was completed, Centers for Medicare and Medicaid Services (CMS) issued the actual clarification that they "will not consider partial expansions for populations eligible for the 100 percent matching rate in 2014 through 2016."<sup>1</sup> This report also assumes that the DSH reduction will not change from the current law and that the 5% income disallowance did not apply in the determination of the 100% of FPL level of income.

### SUMMARY OF RESULTS

We estimated the enrollment and financial impact of the ACA on the Iowa Medicaid program. Exhibits 1 and 2 provide fiscal impact results of Medicaid expansion assuming two different scenarios. The two scenarios are based on varying levels of participation, enrollment, and medical cost trend. We estimated the total fiscal impact to the State of Iowa Medicaid budget during State Fiscal Years (SFYs) 2013-2020 to be a cost in the range approximately of \$44.5 million to \$347.0 million, depending on the actual level of participation by the eligible population as well as other assumptions including enrollment and medical cost trend, future Federal Medical Assistance Percentages (FMAP) levels, and health status.

Tables 1a and 1b<sup>2</sup> illustrate the change in Medicaid enrollment reflecting a 100% Federal Poverty Level (FPL) limit under the two scenarios, which reflect different levels of enrollment and levels of participation (i.e., take-up rates) by both the population of newly eligible Medicaid enrollees and the "woodwork" population (already eligible but not yet enrolled in Medicaid). The latter includes those that are likely to enroll over the first three years due to publicity, increased awareness, or under the ACA individual mandate. These members are eligible under current State law. The State of Iowa decision of the Medicaid expansion level will not affect the growth of the "woodwork" population.

Iowa currently provides benefits under several healthcare programs, some of which provide coverage to individuals with incomes above 100% of FPL. We have estimated the number of people that will no longer be incurred under those programs and will receive care through the insurance exchange or Basic Health Plan (BHP).

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<sup>1</sup> "Frequently Asked Questions on Exchanges, Market Reforms and Medicaid", dated December 10, 2012, available at <http://cciio.cms.gov/resources/files/exchanges-faqs-12-10-2012.pdf>

<sup>2</sup> Additional detail on the enrollment estimates included in the table can be found in the Exhibits 3 and 4

<b>Table 1a Iowa Medicaid Enterprise Affordable Care Act Modeled Enrollment SFY 2011</b>					
<b>Moderate Scenario</b>					
<b>Population</b>	<b>Current Program IME's Budget</b>	<b>Health Care Reform Enrollment Impact</b>			<b>Total Enrollment</b>
		"Woodwork" Effect	Newly Eligible	Movement to exchange or BHP	
Medicaid Children	197,500	13,700	-	-	211,200
CHIP Children (incl. <i>hawk-i</i> )	49,700	36,000	-	-	85,700
Medicaid Adults	138,700	30,700	57,700	-	227,100
Foster Care Children	5,700	-	800	-	6,500
IowaCare	42,100	-	-	(15,200)	26,900
Family Planning	25,100	-	-	(17,600)	7,500
Medically Needy	2,500	-	-	(1,300)	1,200
Pregnant Women and Infants	21,000	-	-	(1,400)	19,600
Breast and Cervical Cancer	300	-	-	(100)	200
Employed People with Disabilities	14,200	-	-	(1,200)	13,000
Dependent Persons	1,400	-	-	(500)	900
<b>Total</b>	<b>498,200</b>	<b>80,400</b>	<b>58,500</b>	<b>(37,300)</b>	<b>599,800</b>

Table 1b Iowa Medicaid Enterprise Affordable Care Act Modeled Enrollment SFY 2011					
Low Scenario					
Population	Current Program IME's Budget	Health Care Reform Enrollment Impact			Total Enrollment
		"Woodwork" Effect	Newly Eligible	Movement to exchange or BHP	
Medicaid Children	197,500	8,000	-	-	205,500
CHIP Children (incl. <i>hawk-i</i> )	49,700	22,800	-	-	72,500
Medicaid Adults <sup>3</sup>	138,700	20,800	37,100	-	196,600
Foster Care Children	5,700	-	800	-	6,500
IowaCare	42,100	-	-	(15,200)	26,900
Family Planning	25,100	-	-	(17,600)	7,500
Medically Needy	2,500	-	-	(1,300)	1,200
Pregnant Women and Infants	21,000	-	-	(1,400)	19,600
Breast and Cervical Cancer	300	-	-	(100)	200
Employed People with Disabilities	14,200	-	-	(1,200)	13,000
Dependent Persons	1,400	-	-	(500)	900
<b>Total</b>	<b>498,200</b>	<b>51,600</b>	<b>37,900</b>	<b>(37,300)</b>	<b>550,400</b>

<sup>3</sup> Including Non-Disabled Children 19-20 y.o. below 32% of FPL net income, 82% gross income

Table 2 below illustrates the estimated impact on Medicaid enrollment under the two scenarios, which reflect different levels of enrollment and levels of participation (i.e., take-up rates) by both the population of newly eligible Medicaid enrollees and the “woodwork” population who are already eligible but not yet enrolled in Medicaid.

<b>Table 2</b> <b>Iowa Medicaid Enterprise</b> <b>Affordable Care Act</b> <b>Estimated Impact on SFY 2011 Enrollment</b>			
<b>Medicaid Population</b>	<b>Current Program</b>	<b>Moderate Scenario</b>	<b>Low Scenario</b>
	498,200		
Additional Enrollees		138,900	89,500
Moved to exchange or BHP		(37,300)	(37,300)
<b>Program Total</b>		<b>599,800</b>	<b>550,400</b>
<b>Take-Up Rates</b>		<b>10-85%</b>	<b>5-60%</b>
<b>Increase in Medicaid Population</b>		<b>20%</b>	<b>10%</b>
<b>Medicaid/CHIP Enrollment as a Percent of Total Population</b>	<b>17%</b>	<b>21%</b>	<b>19%</b>

**Table 3**  
**Iowa Medicaid Enterprise**  
**Affordable Care Act**  
**Estimated Fiscal Impact on the Iowa Medicaid Budget**  
**SFYs 2013-2020**  
**(\$ millions)**

Population	State and Federal	Federal Only	State Only
<b>Moderate Scenario</b>			
Current Programs	\$40,459.0	\$23,800.8	\$16,658.2
Current and New Programs After Reform	\$45,646.0	\$28,640.8	\$17,005.2
<b>Increase</b>	<b>\$5,187.0</b>	<b>\$4,840.0</b>	<b>\$347.0</b>
<b>Low Scenario</b>			
Current Programs	\$36,248.4	\$21,340.7	\$14,907.7
Current and New Programs After Reform	\$39,412.6	\$24,460.4	\$14,952.2
<b>Increase</b>	<b>\$3,164.2</b>	<b>\$3,119.7</b>	<b>\$44.5</b>

Table 3 above illustrates the fiscal impact of Health Care Reform under the two scenarios reflecting the different levels of trend. Healthcare costs for the Current and New Programs are reflected in Table 3, including the administrative expenses. The expansion of Medicaid would likely create increased administrative costs due to growth in membership and the associated costs of processing claims, managing enrollment, and performing other overhead functions.

Projections of future costs and enrollment are subject to considerable uncertainty. The results presented in this report should be understood in light of the caveats and limitations described on page 16, with consideration given to the sensitivity of our assumptions.

Table 4 shows the fiscal impact of each reform provision under the two participation scenarios.

**Table 4**  
**Iowa Medicaid Enterprise**  
**Affordable Care Act**  
**Estimated Fiscal Impact on the Iowa Medicaid Budget**  
**SFYs 2013 - 2020**  
**State Expenditures Only**  
**(\$ millions)**

Reform Provision	Moderate Scenario	Low Scenario
<u>Medicaid expansion</u>		
<u>Newly Eligible Population:</u> - Adults 20-64 y.o. <100% of FPL - Children 19- 20 y.o. 32-100% of FPL	\$98.1	\$54.3
<u>“Woodwork”</u>		
<u>Currently Eligible Population:</u> - Children below up 19 y.o. <100% of FPL - Parents 18-64 y.o. (<=32% of FPL net income, 82% gross income) - Children 19-20 y.o. (<=32% of FPL net income, 82% gross income)	\$564.2	\$327.1
<u>CHIP/hawk-i Currently Eligible 100-300% of FPL</u>	\$90.4	\$50.3
Take-up Rates (see Page 10)	10-85%	5-60%
CHIP/hawk-i Enhanced FMAP	(\$145.8)	(\$127.4)
Reduction in State DSH Share	(\$1.0)	(\$0.8)
Transition of Dependent Persons	(\$117.0)	(\$105.2)
Transition of Medically Needy	(\$158.2)	(\$142.4)
Transition of IowaCare	(\$20.5)	(\$20.0)
Transition of Family Planning Waiver	\$4.6	\$3.8
Transition of Breast and Cervical Cancer Program	(\$18.6)	(\$16.7)
PCP Fee Increase to 100% of Medicare	\$34.7	\$28.2
Foster Care Children Expansion to Age 26	\$12.3	\$10.8
Pregnant Women and Infants >100% of FPL	(\$46.6)	(\$41.0)
Medicaid for Employed People with Disabilities >100% of FPL	(\$38.5)	(\$33.8)
Administrative Expenses <sup>4</sup>	\$88.9	\$57.3
<b>Total</b>	<b>\$347.0</b>	<b>\$44.5</b>

<sup>4</sup> The health insurer fee under ACA may result in an increase in total capitation rates if Managed Care Organization (MCO) is used.

## II. UNIQUE ASSUMPTIONS IN THIS ANALYSIS

The scope of our analysis differs from older published studies in several important areas. These differences may result in confusion and any comparison of this report to other reports should consider the key assumptions in the reports, the date on which the other report was prepared, the effective date of the State demographics and census tables used, and the populations and programs considered by the other report. One highly visible study was recently published by the Kaiser Commission/Urban Institute on Medicaid and the Uninsured in November 2012.<sup>5</sup>

We encourage a full reading of Milliman's analysis for the Iowa Department of Human Services, Iowa Medicaid Enterprise in order to better understand all assumptions.

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<sup>5</sup> Holahan, J. , Buettgens, M., Carrol, C., and Dorn, S. (November 2012). The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis. Urban Institute, Kaiser Commission on Medicaid and the Uninsured. Retrieved Nov. 28, 2012, from <http://www.kff.org/medicaid/upload/8384.pdf>

### III. METHODOLOGY AND KEY ASSUMPTIONS

In the development of these financial impact estimates, we developed a model that projected enrollment and healthcare expenditures for the current Medicaid population as well as the expansion population. The results of this analysis rely upon IME’s Medicaid program budgets for SFY 2010-SFY 2012 as well as the State’s Medicaid claims and eligibility data for SFY 2011.

Beyond SFY 2011, we projected the costs of the current Medicaid Assistance programs to grow at a composite annual rate of 4% to 6% varying by scenario and including anticipated enrollment growth.

Table 6 summarizes the various reform provisions. These provisions, as well as the assumptions used within the modeling process, are discussed in further detail below.

<b>Table 6 Iowa Medicaid Enterprise Affordable Care Act Summary of Reform Provisions</b>	
<b>Reform Provision</b>	
Medicaid expansion to 100% FPL	Effective 1/1/2014; participation rates vary by scenario; three year take-up rate
CHIP/ <i>hawk-i</i> Enhanced FMAP	Effective 10/1/2015 – 09/30/2019
PCP Fee Increase to 100% of Medicare	Effective 1/1/2013 – 12/31/2014; estimates assume that the increase continues after calendar year 2014 without increased Federal funding
Foster Care Children Expansion to Age 26	Effective 1/1/2014
Pregnant Women and Infants >100% of FPL	Effective 1/1/2014; projection assumes 10% of members with income between 100% and 300% of FPL will opt to obtain coverage through the exchange or Basic Health Plan (BHP); remaining 90% will stay with Medicaid
Breast and Cervical Cancer Program	Effective 1/1/2014; estimates assume that the program is terminated and that 55% of the population will become eligible for Medicaid expansion with enhanced FMAP
Medicaid for Employed People with Disabilities >100% of FPL	Effective 1/1/2014; projection assumes 10% of members with income between 100% and 600% of FPL will opt to obtain coverage through the exchange or BHP; remaining 90% will stay with Medicaid
Reduction in State DSH Share	Effective Federal Fiscal Years 2014 – 2020; the DSH percentage reductions were multiplied by 63% of the national reduction percentage to reflect that Iowa is a “low DSH” State. Then the

	resulting Iowa DSH Percentage Reduction was further reduced based on the State's DSH Allotment Analysis
Transition of IowaCare and Family Planning Programs	Effective 1/1/2014; estimates assume that members with income <100% of FPL will transition to Medicaid and others are assumed to obtain coverage through the exchange or BHP
Transition of Medically Needy Program	Effective 1/1/2014; estimates assume that members with income <100% (non-elderly, non-Medicare) of FPL will transition to Medicaid with enhanced FMAP and others are assumed to obtain coverage through the exchange or BHP
Transition of Dependent Persons Program	Effective 1/1/2014; estimates assume that current program members with income <100% FPL will transition to Medicaid with enhanced FMAP
Administrative Expenses	State administrative costs are estimated at 4.8% of total expected medical expenditures for Current Programs and 5.6% of total expected Health Care Reform medical expenditures

**MEDICAID ASSISTANCE EXPANSION TO 100% OF FPL**

The fiscal impact associated with the Medicaid expansion includes currently insured and uninsured adults and children below 100% of the FPL who are not currently enrolled in Medicaid. Iowa's current Medicaid income eligibility standards are summarized below:

- > Non-Disabled Children, Aged <1 = 300% of FPL
- > Non-Disabled Children, Aged 1-5 = 133% of FPL
- > Non-Disabled Children, Aged 6-18 = 100% of FPL
- > Non-Disabled Children Aged 19-20 = 32% of FPL net income, 82% gross income
- > Pregnant Women = 300% of FPL
- > Parents = 32% of FPL net income, 82% gross income
- > SSI, Aged, Blind, Disabled = 75% of FPL
- > Breast and Cervical Cancer = 250% of FPL
- > Medicaid for Employed People with Disabilities (MEPD) with Premiums = 600% of FPL
- > CHIP/hawk-i = children up to 300% of FPL who are not covered under Medicaid
- > Dependent Persons = program for dependents of a "Dependent Person" up to 133% of FPL
- > Medically Needy = program for adults and children with income up to 133% of FPL or income reduced to the 133% of FPL by spenddown
- > IowaCare = limited benefit program for adults up to 200% of FPL
- > Family Planning = family planning benefits only, up to 300% of FPL
- > Foster Care Children and Children in Subsidized Adoption, up to age 21

The analysis presented in this report includes two scenarios that reflect the percentage of the eligible population choosing to enroll in Medicaid:

- > Moderate Scenario, Participation:
  - 65% for insured parents up to 50% of FPL, 75% for insured parents 50% -100% of FPL
  - 10% for insured children up to 150% of FPL and 15% for insured children 150%-300% of FPL
  - 75% for uninsured parents up to 50% of FPL, 85% for uninsured parents 50% -100% of FPL
  - 62.5% for uninsured children
  - 50% for insured childless adults
  - 80% for uninsured childless adults
  
- > Low Scenario, Participation:
  - 40% for insured parents up to 50% of FPL, 50% for insured parents 50% -100% of FPL
  - 5% for insured children up to 150% of FPL and 10% for insured children 150%-300% of FPL
  - 50% for uninsured parents up to 50% of FPL, 60% for uninsured parents 50% -100% of FPL
  - 37.5% for uninsured children
  - 25% for insured childless adults
  - 55% for uninsured childless adults

Note that “insured” status in our analysis applies to individuals currently insured in the commercial group or individual markets.

The participation rate for children is lower because the State of Iowa has conducted significant outreach efforts and has seen strong enrollment trends in the CHIP/*hawk-i* programs in recent years. Further, the Iowa Department of Public Health (IDPH) has several different programs that cover this population and parents have still opted to retain their private coverage.

The law reflects the following Federal Medical Assistance Percentages (FMAP) for the newly eligible expansion populations:

- > 100% FMAP in CY 2014, 2015, and 2016
- > 95% FMAP in CY 2017
- > 94% FMAP in CY 2018
- > 93% FMAP in CY 2019
- > 90% FMAP in CY 2020+

Populations currently eligible for Medicaid in Iowa will continue to be subject to the regular FMAP levels.

We relied on U.S. Census Bureau statistics<sup>6</sup> for Iowa for calendar year 2011 to develop the Medicaid expansion population. The U.S. Census Bureau data provided information regarding the number of children, parents, and adults with and without health insurance below a stratified set of FPL's. Population estimates were reduced for ineligible non-citizens based on data available from the U.S. Census Bureau, U.S. Department of Homeland Security<sup>7</sup>, and Federation for American Immigration Reform (FAIR)<sup>8</sup>.

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<sup>6</sup> <http://www.census.gov/>

<sup>7</sup> <http://www.dhs.gov>

<sup>8</sup> <http://www.fairus.org>

- > Under the Moderate Scenario, we assumed that a moderate portion of the population who are either currently insured or uninsured would convert to the Medicaid program. Of the 138,900 individuals who were assumed to convert to Medicaid, there are currently 48,700 insured and 90,200 uninsured.
- > Under the Low Scenario, we assumed that a smaller portion of the population who are either currently insured or uninsured would convert to the Medicaid program. Of the 89,500 individuals who were assumed to convert to Medicaid, there are currently 29,100 insured and 60,400 uninsured.
- > We assumed the reform legislation will not prevent crowd-out from the currently insured population. Each scenario assumes that a different portion of the eligible insured population will enroll in Medicaid.

Table 7 below shows the average healthcare expenditures per member per year (PMPY) modeled for SFY 2011 at a 4%-6% trend rate.

<b>Table 7</b> <b>Iowa Medicaid Enterprise</b> <b>ACA Healthcare Expenses</b> <b>PMPY</b> <b>SFY 2011</b>	
Medicaid Child	\$2,094
CHIP/ <i>hawk-i</i> Child	\$2,138
Childless Adult/Parent	\$4,469
Family Planning Waiver Participant <sup>9</sup>	\$4,567

We anticipate that, during the first one to two years of the program, the new enrollees may have higher costs that are due to pent-up demand, a characteristic of other Medicaid-expansion programs such as the Healthy Indiana Plan.<sup>10</sup> Because the Federal government will be 100% responsible for the cost of the expansion for the first three years, we *did not* include an explicit amount for pent-up demand.

**CHIP/*hawk-i* PROGRAM: ENHANCED FMAP**

Under the ACA, the CHIP program is required to be continued through 2019. The legislation provides additional FMAP of up to 23% beginning on October 1, 2015, and ending September 30, 2019. The additional 23% FMAP will increase the total FMAP for the children remaining in Iowa’s CHIP program to 93.46%. The enhanced FMAP will decrease expenditures for Iowa and increase expenditures for the Federal government.

**INCREASE IN PRIMARY CARE PHYSICIAN FEES TO 100% OF MEDICARE**

The Federal government will fund an increase in some fees paid to primary care physicians to equal 100% of Medicare reimbursement in calendar years 2013 and 2014. No additional Federal funding is allocated after 2014. Our projections assume that IME will continue to pay primary care physicians at 100% of Medicare reimbursement after calendar year 2014 at normal FMAP rates because it would be

<sup>9</sup> Assumed Medicaid cost for females 14-50 years old

<sup>6</sup> Damler, R. (Aug. 26, 2009). Experience under the Healthy Indiana Plan: The short-term cost challenges of expanding coverage to the uninsured. Retrieved Sept. 17, 2010, from <http://publications.milliman.com/research/health-rr/pdfs/experience-under-healthy-indiana.pdf>.

very difficult to reduce fees once they are increased to 100% of Medicare. IME currently pays physicians at approximately 72% of Medicare reimbursement for primary care services.

#### **FOSTER CARE CHILDREN EXPANSION TO AGE 26**

Iowa currently provides Medicaid eligibility coverage to foster care children up to age 21. The ACA includes coverage for foster care children up to age 26 beginning on January 1, 2014. The SFY 2011 total budgeted annual expenditures under the program are approximately \$56 million (State and Federal).

#### **PREGNANT WOMEN AND INFANTS ABOVE 100% OF FPL**

Iowa currently provides Medicaid eligibility for pregnant women and infants up to 300% of FPL. After January 1, 2014, pregnant women above 100% of FPL will have the option to access care through the insurance exchange or BHP or stay with Medicaid. We assume that 10% of pregnant women between 100% and 300% of FPL will opt to obtain coverage through the insurance exchange or BHP and the remaining 90% will stay with Medicaid.

#### **BREAST AND CERVICAL CANCER PROGRAM**

Iowa currently provides Medicaid eligibility under the Breast and Cervical Cancer Program. The SFY 2011 total budgeted annual expenditures under the program were approximately \$7.1 million (State and Federal) or \$1.8 million (State only). This program will not be required to be continued with the modeled expansion for participants below 100% of FPL and assuming availability of insurance exchange or BHP enrollment for individuals above 100% of FPL. Based on the enrollment by FPL data provided by the State of Iowa, we estimated that if this program is terminated on January 1, 2014, 55% of these individuals will become eligible under the new Medicaid eligibility requirements with enhanced FMAP and 45% will seek coverage through the insurance exchange or BHP.

#### **MEDICAID FOR EMPLOYED PEOPLE WITH DISABILITIES**

Iowa currently provides Medicaid for Employed People with Disabilities (MEPD) under age 65 up to 600% of FPL. The State is required to maintain eligibility even though MEPD participants will have access to health insurance through the insurance exchange or BHP effective January 1, 2014. We have assumed that 10% of MEPD individuals will obtain coverage through the insurance exchange or BHP and the remaining 90% will stay with Medicaid.

#### **TRANSITION OF FAMILY PLANNING WAIVER AND IOWACARE PROGRAMS**

Family Planning Waiver and IowaCare are limited benefit programs. It is assumed that on January 1, 2014, members participating in these programs who are less than 100% of FPL will transition to Medicaid where they will be treated as part of Medicaid expansion. Those above 100% of FPL are expected to move into the established exchange or BHP.

#### **TRANSITION OF MEDICALLY NEEDED PROGRAM**

Iowa currently provides the Medically Needy program for individuals (children under age 21, caretakers for children under age 19, pregnant women, aged, blind and disabled population at age 65 or older who would be eligible for Supplemental Security Income except that income or assets are over the limit) with income that is too high for Medicaid but can be reduced to Medicaid level by spenddown. It is assumed that after January 1, 2014, members participating in the Medically Needy program who are non-elderly, non-Medicare, and have an income at or below 100% of FPL will transition to Medicaid (without any need to incur health care charges) where they will be treated as part of the Medicaid expansion with enhanced FMAP.

**TRANSITION OF DEPENDENT PERSONS PROGRAM**

Medicaid for Dependent Persons is a program for dependents of a “Dependent Person” up to 133% of FPL. It is assumed that on January 1, 2014, members participating in the Medicaid for Dependent Persons program with income at or below 100% of FPL will transition to Medicaid where they will be treated as part of the Medicaid expansion. Those above 100% of FPL are expected to move into the established exchange or BHP.

**DSH REDUCTION**

Based upon the aggregate Disproportionate Share Hospital (DSH) payment reductions indicated in the ACA, we developed average Federal Fiscal Year (FFY) DSH reduction percentages. We adjusted the FFY percentages to a SFY basis. First, the DSH percentage reductions were multiplied by 63% of the national reduction percentage to reflect that Iowa is a “low DSH” State. The resulting Iowa DSH Percentage Reduction was further reduced based on the DSH Allotment Analysis FY 2012-2015 that we received from the State due to the fact that Iowa does not use their full DSH allotment.

Table 8 Iowa Medicaid Enterprise Affordable Care Act DSH Reduction			
Fiscal Year	DSH Percentage Reduction		
	National Percentage	Iowa Percentage	
	Federal Fiscal Year	Federal Fiscal Year	State Fiscal Year
2014	4.4%	0.0%	0.0%
2015	5.3%	0.0%	0.0%
2016	5.3%	0.0%	0.0%
2017	15.9%	0.0%	0.0%
2018	44.2%	0.0%	0.0%
2019	49.5%	2.7%	2.0%
2020	35.4%	0.0%	0.7%

**ONGOING ADMINISTRATIVE EXPENDITURES**

In addition to the expenditures associated with providing medical services to the expansion population, the State of Iowa will incur additional ongoing administrative expenditures related to Medicaid expansion. We estimated the additional ongoing administrative costs as 5.6% of the total expected medical expenditures for the expansion population based on the administrative cost percentage in IME’s SFY 2011 budget plus additional expansion related costs estimated by IME for SFY 2014-2015. The expansion of Medicaid would likely create increased administrative costs due to growth in membership and the associated costs of processing claims, managing enrollment, and performing other overhead functions.

**GENERAL ASSUMPTIONS**

We used the following key assumptions in our analysis:

- > Iowa’s CHIP/*hawk-i* program will continue through SFY 2020
- > The reform legislation will not prevent crowd-out from the currently insured population projected to be eligible under the modeled expansion
- > No net impact because of the pharmacy rebate provisions in the ACA
- > FMAP levels for non-expansion populations illustrated in the Table 9.

**Table 9  
Iowa Medicaid Enterprise  
Federal Match Rates  
SFY 2011-2020**

Population	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Medicaid	68.88%	59.59%	59.87%	58.35%	57.80%	57.80%	57.80%	57.80%	57.80%	57.80%
IowaCare	70.64%	61.19%	59.87%	58.35%	57.80%	57.80%	57.80%	57.80%	57.80%	57.80%
CHIP/ <i>hawk-i</i>	74.00%	72.84%	71.91%	70.84%	70.46%	70.46%	70.46%	70.46%	70.46%	70.46%
CHIP/ <i>hawk-i</i> Enhancement	0.00%	0.00%	0.00%	0.00%	0.00%	17.25%	23.00%	23.00%	23.00%	5.75%
Breast and Cervical Cancer	74.00%	72.84%	71.91%	100%	100%	100%	97.5%	94.50%	93.50%	91.50%
Administration	63.76%	71.02%	69.63%	68.67%	66.02%	66.02%	66.02%	66.02%	66.02%	66.02%
Family Planning	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%

## IV. OTHER ISSUES NOT MODELED

The following outlines additional financial issues that may result under the current provisions of the legislation. The issues highlighted below *have not* been included in the financial projections shown in our analysis.

- > **Start-Up Administrative Costs Prior to 2014:** We did not include any additional administrative costs related to reform prior to SFY 2014 or administrative costs related to developing an insurance exchange. These additional costs could be substantial.
- > **Impact of the ACA on other State agencies:** We did not reflect any cost increases or savings related to the ACA on the budgets of other State agencies. Our analysis is related to the Iowa Medicaid budget only.
- > **County/Other share of IowaCare savings:** The non-Federal portion is shared by the State, the counties, and others. We have modeled only the State portion after the county/other portion was removed. The county/other savings for the SFY 2013-2020 are expected to be in the range from \$391.7 to 417.2 million.
- > **Mental health and substance abuse treatments provided at the county level.**
- > **Public health services such as immunizations provided by the State, counties, or municipalities that are not currently covered by Medicaid but will be for the expansion population.**
- > **Premium taxes and additional State income taxes produced by additional individual incomes resulting from Medicaid expansion.**
- > **Macro-economic effects resulting from additional federal dollars spent on Medicaid expansion.**

## V. CAVEATS AND LIMITATIONS

This report is intended for the internal use of the Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME) in accordance with its statutory and regulatory requirements. Milliman recognizes that the materials may be public records subject to disclosure to third parties; however, Milliman does not intend to benefit, and assumes no duty or liability to, any third parties who receive this report and related materials. The materials should only be reviewed in their entirety. Any user of this report should possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the data presented.

In the development of the data and information presented in this report, Milliman has relied upon certain data from the State of Iowa and its vendors. To the extent that the data was not complete or accurate, the values presented in the report will need to be reviewed for consistency and revised to meet any revised data. The data and information included in this report has been developed to assist in the analysis of the financial impact of the ACA and the Supreme Court June 29, 2012 decision on IME's Medicaid Assistance expenditures. The data and information presented may not be appropriate for any other purpose. It should be emphasized that the results presented in this correspondence are a projection of future costs based on a set of assumptions. Results will differ if actual experience is different from the assumptions contained in this report.

The terms of Milliman's contract with DHS signed on June 28, 2007, apply to this report and its use.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Timothy Harris and John Meerschaert are members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this report. This analysis—the assumptions, methodology, and calculations—has been thoroughly peer reviewed by qualified actuaries.

## Exhibit 1

# Impact of Health Reform on Iowa's Medicaid Budget, Moderate Scenario

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**Iowa Department of Human Services**  
Financial Impact Review of the Affordable Care Act,  
and the Supreme Court of the United States June 29, 2012 decision  
on the Iowa Medicaid Budget

December 13, 2012

This report assumes that the reader is familiar with the State of Iowa's Medicaid program and federal healthcare reform. The report was prepared solely to provide assistance to IME to model the financial impact of federal healthcare reform provisions. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

Exhibit 1  
STATE OF IOWA  
Iowa Medicaid Enterprise  
Impact of Health Reform on Iowa Medicaid Budget  
Medicaid Expansion to 100% FPL  
Moderate Scenario  
(Values in Millions)

EXPENDITURES	SFY 2013	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2013 - SFY 2020
<b>Current Programs</b>									
Medicaid									
Total (State and Federal)	3,619.7	3,839.3	4,072.2	4,319.3	4,581.4	4,859.4	5,154.2	5,467.0	35,912.5
FMAP	59.87%	58.35%	57.80%	57.80%	57.80%	57.80%	57.80%	57.80%	57.80%
Federal Funds	2,167.1	2,240.2	2,353.7	2,496.6	2,648.0	2,808.7	2,979.1	3,159.9	20,853.3
State Funds	1,452.6	1,599.1	1,718.5	1,822.7	1,933.4	2,050.7	2,175.1	2,307.1	15,059.2
CHIP									
Total (State and Federal)	35.1	37.2	39.4	41.8	44.4	47.1	49.9	53.0	347.9
FMAP	71.91%	70.84%	70.46%	70.46%	70.46%	70.46%	70.46%	70.46%	70.46%
Federal Funds	25.2	26.4	27.8	29.5	31.3	33.2	35.2	37.3	245.9
State Funds	9.9	10.8	11.6	12.3	13.1	13.9	14.7	15.7	102.0
<i>hawk-i</i>									
Total (State and Federal)	84.4	89.6	95.0	100.8	106.9	113.4	120.2	127.5	837.8
FMAP	71.91%	70.84%	70.46%	70.46%	70.46%	70.46%	70.46%	70.46%	70.46%
Federal Funds	60.7	63.5	66.9	71.0	75.3	79.9	84.7	89.8	591.8
State Funds	23.7	26.1	28.1	29.8	31.6	33.5	35.5	37.7	246.0
IowaCare									
Total (State and Federal)	155.1	164.5	174.5	185.1	196.3	208.2	220.9	234.3	1,538.9
FMAP	59.87%	58.35%	57.80%	57.80%	57.80%	57.80%	57.80%	57.80%	57.80%
Federal Funds	92.9	96.0	100.9	107.0	113.5	120.3	127.7	135.4	893.7
State Funds	62.2	68.5	73.6	78.1	82.8	87.9	93.2	98.9	645.2
Administration									
Total	212.3	210.9	200.2	212.3	225.2	238.9	253.4	268.7	1,821.9
FMAP	69.63%	68.67%	66.02%	66.02%	66.02%	66.02%	66.02%	66.02%	66.02%
Federal Funds	147.8	144.8	132.2	140.2	148.7	157.7	167.3	177.4	1,216.1
State Funds	64.5	66.1	68.0	72.1	76.5	81.2	86.1	91.3	605.8
<b>All Programs - Prior to Reform</b>									
Total (State and Federal)	4,106.6	4,341.5	4,581.3	4,859.3	5,154.2	5,467.0	5,798.6	6,150.5	40,459.0
Federal Funds	2,493.7	2,570.9	2,681.5	2,844.3	3,016.8	3,199.8	3,394.0	3,599.8	23,800.8
<b>State Funds</b>	<b>1,612.9</b>	<b>1,770.6</b>	<b>1,899.8</b>	<b>2,015.0</b>	<b>2,137.4</b>	<b>2,267.2</b>	<b>2,404.6</b>	<b>2,550.7</b>	<b>16,658.2</b>

**Exhibit 1**  
**STATE OF IOWA**  
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**Impact of Health Reform on Iowa Medicaid Budget**  
**Medicaid Expansion to 100% FPL**  
**Moderate Scenario**  
**(Values in Millions)**

<b>EXPENDITURES</b>	<u>SFY 2013</u>	<u>SFY 2014</u>	<u>SFY 2015</u>	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	<u>SFY 2020</u>	<u>SFY 2013 - SFY 2020</u>
<b>Health Care Reform</b>									
<b>Medicaid Expansion</b>									
<b>Expansion - Currently Eligible</b>									
Total (State and Federal) - Children up to 100% FPL		5.7	24.2	38.4	40.8	43.3	45.9	48.7	247.0
Total (State and Federal) Parents / Children 19-20 y.o (32% of FPL net income, 82% gross income)		25.2	106.7	169.8	180.1	191.1	202.6	214.9	1,090.4
FMAP		58.4%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	
Federal Funds		18.0	75.7	120.3	127.7	135.5	143.6	152.4	773.2
State Funds		12.9	55.2	87.9	93.2	98.9	104.9	111.2	564.2
<b>Expansion - Newly Eligible</b>									
Total (State and Federal) - Parents / Adults up to 100% FPL		53.2	225.7	359.0	380.8	403.9	428.4	454.4	2,305.4
FMAP		100.0%	100.0%	100.0%	97.5%	94.5%	93.5%	91.5%	
Federal Funds		53.2	225.7	359.0	371.3	381.7	400.6	415.8	2,207.3
State Funds		0.0	0.0	0.0	9.5	22.2	27.8	38.6	98.1
<b>Expansion - CHP/<i>hawk-i</i> Currently Eligible 100-300% FPL</b>									
Total (State and Federal)		15.3	64.9	103.3	109.6	116.2	123.3	130.8	663.4
FMAP - CHIP/ <i>hawk-i</i>		70.84%	70.46%	70.46%	70.46%	70.46%	70.46%	70.46%	
FMAP - Enhancement		0.00%	0.00%	17.25%	23.00%	23.00%	23.00%	5.75%	
Federal Funds		10.8	45.7	90.6	102.4	108.6	115.2	99.7	573.0
State Funds		4.5	19.2	12.7	7.2	7.6	8.1	31.1	90.4
<b>CHIP/<i>hawk-i</i> Program 100-300% FPL Enhanced FMAP</b>									
Total (State and Federal)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds		0.0	0.0	24.6	34.8	36.9	39.1	10.4	145.8
State Funds		0.0	0.0	(24.6)	(34.8)	(36.9)	(39.1)	(10.4)	(145.8)
<b>Reduction in State DSH Share</b>									
Total (State and Federal)		0.0	0.0	0.0	0.0	0.0	(1.6)	(0.6)	(2.2)
Federal Funds		0.0	0.0	0.0	0.0	0.0	(0.9)	(0.3)	(1.2)
State Funds		0.0	0.0	0.0	0.0	0.0	(0.7)	(0.3)	(1.0)
<b>Transition of Dependent Persons up to 100% FPL to Medicaid Expansion and Movement of Dependent Persons 100%-133% FPL to Exchange</b>									
Total (State and Federal)		(2.7)	(5.8)	(6.1)	(6.5)	(6.9)	(7.3)	(7.8)	(43.1)
Federal Funds		4.9	10.3	10.9	11.3	11.6	12.2	12.7	73.9
State Funds		(7.6)	(16.1)	(17.0)	(17.8)	(18.5)	(19.5)	(20.5)	(117.0)
<b>Transition of Medically Needy (MN) Population "Eligible Under Expansion" and Movement of MN Population "Not Eligible Under Expansion" to Exchange</b>									
Total (State and Federal)		(14.4)	(30.6)	(32.5)	(34.4)	(36.5)	(38.8)	(41.1)	(228.3)
Federal Funds		(4.0)	(8.5)	(9.0)	(10.2)	(11.7)	(12.7)	(14.0)	(70.1)
State Funds		(10.4)	(22.1)	(23.5)	(24.2)	(24.8)	(26.1)	(27.1)	(158.2)

\*Non-Elderly, Non-Medicare and have an income at or below 100% FPL

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**Medicaid Expansion to 100% FPL**  
**Moderate Scenario**  
**(Values in Millions)**

<b>EXPENDITURES</b>	<u>SFY 2013</u>	<u>SFY 2014</u>	<u>SFY 2015</u>	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	<u>SFY 2020</u>	<u>SFY 2013 - SFY 2020</u>
<b>Health Care Reform</b>									
Transition of IowaCare (State Budget Portion Only) Population up to 100% FPL to Medicaid Expansion and Movement of IowaCare Population 100%-200% FPL to Exchange									
Total (State and Federal)	44.3	94.1	99.7	105.8	112.2	119.0	126.3	701.4	
Federal Funds	49.3	104.7	111.0	112.1	111.6	115.8	117.4	721.9	
State Funds	(5.0)	(10.6)	(11.3)	(6.3)	0.6	3.2	8.9	(20.5)	
Counties/Others (Not included in the total)	(49.6)	(52.6)	(55.8)	(59.2)	(62.8)	(66.6)	(70.6)	(417.2)	
Transition of Family Planning (FP) Population up to 100% FPL to Medicaid Expansion and Movement of FP Population 100%-300% FPL to Exchange									
Total (State and Federal)	17.4	36.8	39.1	41.4	43.9	46.6	49.4	274.6	
Federal Funds	18.0	38.1	40.5	41.5	42.2	44.2	45.5	270.0	
State Funds	(0.6)	(1.3)	(1.4)	(0.1)	1.7	2.4	3.9	4.6	
Transition of Breast & Cervical Cancer (BCCT) Population up to 100% FPL to Medicaid Expansion and Movement of BCCT Population 100%-250% FPL to Exchange									
Total (State and Federal)	(2.2)	(4.6)	(4.9)	(5.1)	(5.5)	(5.8)	(6.1)	(34.2)	
Federal Funds	(0.9)	(1.9)	(2.0)	(2.3)	(2.6)	(2.8)	(3.1)	(15.6)	
State Funds	(1.3)	(2.7)	(2.9)	(2.8)	(2.9)	(3.0)	(3.0)	(18.6)	
Primary Care Physician Fee Increase									
Current Program (State and Federal)	4.6	9.7	10.3	10.9	11.6	12.3	13.0	13.8	86.2
Expansion (State and Federal)	0.0	0.3	2.5	5.9	6.3	6.7	7.1	7.5	36.3
Total (State and Federal)	4.6	10.0	12.8	16.8	17.9	19.0	20.1	21.3	122.5
Federal Funds	4.6	10.0	10.4	11.3	11.9	12.5	13.2	13.9	87.8
State Funds	0.0	0.0	2.4	5.5	6.0	6.5	6.9	7.4	34.7
Foster Care Children Expansion to Age 26									
Total (State and Federal)	1.8	3.9	4.1	4.4	4.7	5.0	5.3	29.2	
Federal Funds	1.1	2.3	2.4	2.5	2.7	2.9	3.0	16.9	
State Funds	0.7	1.6	1.7	1.9	2.0	2.1	2.3	12.3	
Transition (assumed 10%) of Pregnant Women 100%-300%FPL to Exchange									
Total (State and Federal)	(7.0)	(14.8)	(15.7)	(16.7)	(17.7)	(18.7)	(19.9)	(110.5)	
Federal Funds	(4.1)	(8.6)	(9.1)	(9.6)	(10.2)	(10.8)	(11.5)	(63.9)	
State Funds	(2.9)	(6.2)	(6.6)	(7.1)	(7.5)	(7.9)	(8.4)	(46.6)	
Transition (assumed 10%) of Employed People with Disabilities 100-600% FPL to Exchange									
Total (State and Federal)	(5.8)	(12.3)	(13.0)	(13.8)	(14.6)	(15.5)	(16.5)	(91.5)	
Federal Funds	(3.4)	(7.1)	(7.5)	(8.0)	(8.5)	(9.0)	(9.5)	(53.0)	
State Funds	(2.4)	(5.2)	(5.5)	(5.8)	(6.1)	(6.5)	(7.0)	(38.5)	
Ongoing HCR Administration Expenses									
Total (State and Federal)	18.8	24.8	39.0	41.3	43.7	46.3	49.0	262.9	
Federal Funds	12.9	16.4	25.8	27.3	28.8	30.5	32.3	174.0	
State Funds	5.9	8.4	13.2	14.0	14.9	15.8	16.7	88.9	

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**(Values in Millions)**

<b>EXPENDITURES</b>	<u>SFY 2013</u>	<u>SFY 2014</u>	<u>SFY 2015</u>	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	<u>SFY 2020</u>	<u>SFY 2013 - SFY 2020</u>
<b>All Programs - After Reform</b>									
Total (State and Federal)	4,111.2	4,501.1	5,107.1	5,656.3	5,999.8	6,363.8	6,748.1	7,158.6	45,646.0
Federal Funds	2,498.3	2,736.7	3,184.7	3,613.1	3,829.5	4,038.9	4,275.1	4,464.5	28,640.8
<b>State Funds</b>	<b>1,612.9</b>	<b>1,764.4</b>	<b>1,922.4</b>	<b>2,043.2</b>	<b>2,170.3</b>	<b>2,324.9</b>	<b>2,473.0</b>	<b>2,694.1</b>	<b>17,005.2</b>
<b>All Programs - Fiscal Impact of Reform</b>									
Total (State and Federal)	4.6	159.6	525.8	797.0	845.6	896.8	949.5	1,008.1	5,187.0
Federal Funds	4.6	165.8	503.2	768.8	812.7	839.1	881.1	864.7	4,840.0
<b>State Funds</b>	<b>0.0</b>	<b>(6.2)</b>	<b>22.6</b>	<b>28.2</b>	<b>32.9</b>	<b>57.7</b>	<b>68.4</b>	<b>143.4</b>	<b>347.0</b>

## Exhibit 2

# Impact of Health Reform on Iowa's Medicaid Budget, Low Scenario

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**Iowa Department of Human Services**  
Financial Impact Review of the Affordable Care Act  
and the Supreme Court of the United States June 29, 2012 decision  
on the Iowa Medicaid Budget

December 13, 2012

This report assumes that the reader is familiar with the State of Iowa's Medicaid program and federal healthcare reform. The report was prepared solely to provide assistance to IME to model the financial impact of federal healthcare reform provisions. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

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**STATE OF IOWA**  
**Iowa Medicaid Enterprise**  
**Impact of Health Reform on Iowa Medicaid Budget**  
**Medicaid Expansion to 100% FPL**  
**Low Scenario**  
**(Values in Millions)**

EXPENDITURES	SFY 2013	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2013 - SFY 2020
<b>Current Programs</b>									
<i>Medicaid</i>									
Total (State and Federal)	3,479.9	3,619.1	3,763.9	3,914.5	4,071.0	4,233.9	4,403.2	4,579.4	32,064.9
FMAP	59.87%	58.35%	57.80%	57.80%	57.80%	57.80%	57.80%	57.80%	
Federal Funds	2,083.4	2,111.7	2,175.5	2,262.6	2,353.0	2,447.2	2,545.0	2,646.9	18,625.3
State Funds	1,396.5	1,507.4	1,588.4	1,651.9	1,718.0	1,786.7	1,858.2	1,932.5	13,439.6
<i>CHIP</i>									
Total (State and Federal)	33.7	35.1	36.5	37.9	39.4	41.0	42.6	44.4	310.6
FMAP	71.91%	70.84%	70.46%	70.46%	70.46%	70.46%	70.46%	70.46%	
Federal Funds	24.2	24.9	25.7	26.7	27.8	28.9	30.0	31.3	219.5
State Funds	9.5	10.2	10.8	11.2	11.6	12.1	12.6	13.1	91.1
<i>hawk-i</i>									
Total (State and Federal)	81.2	84.4	87.8	91.3	95.0	98.8	102.7	106.8	748.0
FMAP	71.91%	70.84%	70.46%	70.46%	70.46%	70.46%	70.46%	70.46%	
Federal Funds	58.4	59.8	61.9	64.3	66.9	69.6	72.4	75.3	528.6
State Funds	22.8	24.6	25.9	27.0	28.1	29.2	30.3	31.5	219.4
<i>IowaCare</i>									
Total (State and Federal)	149.1	155.1	161.3	167.7	174.4	181.4	188.7	196.2	1,373.9
FMAP	59.87%	58.35%	57.80%	57.80%	57.80%	57.80%	57.80%	57.80%	4.7
Federal Funds	89.3	90.5	93.2	96.9	100.8	104.8	109.1	113.4	798.0
State Funds	59.8	64.6	68.1	70.8	73.6	76.6	79.6	82.8	575.9
<i>Administration</i>									
Total	212.3	210.9	200.2	208.2	216.5	225.2	234.2	243.5	1,751.0
FMAP	69.63%	68.67%	66.02%	66.02%	66.02%	66.02%	66.02%	66.02%	
Federal Funds	147.8	144.8	132.2	137.5	142.9	148.7	154.6	160.8	1,169.3
State Funds	64.5	66.1	68.0	70.7	73.6	76.5	79.6	82.7	581.7
<b>All Programs - Prior to Reform</b>									
Total (State and Federal)	3,956.2	4,104.6	4,249.7	4,419.6	4,596.3	4,780.3	4,971.4	5,170.3	36,248.4
Federal Funds	2,403.1	2,431.7	2,488.5	2,588.0	2,691.4	2,799.2	2,911.1	3,027.7	21,340.7
<b>State Funds</b>	<b>1,553.1</b>	<b>1,672.9</b>	<b>1,761.2</b>	<b>1,831.6</b>	<b>1,904.9</b>	<b>1,981.1</b>	<b>2,060.3</b>	<b>2,142.6</b>	<b>14,907.7</b>

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**Low Scenario**  
**(Values in Millions)**

<b>EXPENDITURES</b>	<u>SFY 2013</u>	<u>SFY 2014</u>	<u>SFY 2015</u>	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	<u>SFY 2020</u>	<u>SFY 2013 - SFY 2020</u>
<b>Health Care Reform</b>									
Medicaid Expansion									
Expansion - Currently Eligible									
Total (State and Federal) - Children up to 100% FPL		3.2	13.2	20.5	21.4	22.2	23.1	24.0	127.6
Total (State and Federal) Parents / Children 19-20 y.o (32% of FPL net income, 82% gross income)		16.1	66.9	104.3	108.5	112.8	117.3	122.0	647.9
FMAP		58.4%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	
Federal Funds		11.3	46.3	72.1	75.1	78.0	81.2	84.4	448.4
State Funds		8.0	33.8	52.7	54.8	57.0	59.2	61.6	327.1
Expansion - Newly Eligible									
Total (State and Federal) - Parents / Adults up to 100% FPL		32.4	134.7	210.1	218.5	227.2	236.3	245.7	1,304.9
FMAP		100.0%	100.0%	100.0%	97.5%	94.5%	93.5%	91.5%	
Federal Funds		32.4	134.7	210.1	213.0	214.7	220.9	224.8	1,250.6
State Funds		0.0	0.0	0.0	5.5	12.5	15.4	20.9	54.3
Expansion - CHIP/hawk-i Currently Eligible 100-300% FPL									
Total (State and Federal)		9.1	37.9	59.1	61.5	64.0	66.6	69.3	367.5
FMAP - CHIP/hawk-i		70.84%	70.46%	70.46%	70.46%	70.46%	70.46%	70.46%	4.9
FMAP - Enhancement		0.00%	0.00%	17.25%	23.00%	23.00%	23.00%	5.75%	
Federal Funds		6.4	26.7	51.8	57.5	59.8	62.2	52.8	317.2
State Funds		2.7	11.2	7.3	4.0	4.2	4.4	16.5	50.3
CHIP/hawk-i Program 100-300% FPL Enhanced FMAP									
Total (State and Federal)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds		0.0	0.0	22.3	30.9	32.1	33.4	8.7	127.4
State Funds		0.0	0.0	(22.3)	(30.9)	(32.1)	(33.4)	(8.7)	(127.4)
Reduction in State DSH Share									
Total (State and Federal)		0.0	0.0	0.0	0.0	0.0	(1.4)	(0.5)	(1.9)
Federal Funds		0.0	0.0	0.0	0.0	0.0	(0.8)	(0.3)	(1.1)
State Funds		0.0	0.0	0.0	0.0	0.0	(0.6)	(0.2)	(0.8)
Transition of Dependent Persons up to 100% FPL to Medicaid Expansion and Movement of Dependent Persons 100%-133% FPL to Exchange									
Total (State and Federal)		(2.6)	(5.4)	(5.7)	(5.9)	(6.1)	(6.4)	(6.6)	(38.7)
Federal Funds		4.7	9.7	10.1	10.3	10.3	10.6	10.8	66.5
State Funds		(7.3)	(15.1)	(15.8)	(16.2)	(16.4)	(17.0)	(17.4)	(105.2)
Transition of Medically Needy (MN) Population "Eligible Under Expansion**" and Movement of MN Population "Not Eligible Under Expansion" to Exchange									
Total (State and Federal)		(13.9)	(28.9)	(30.0)	(31.2)	(32.5)	(33.8)	(35.1)	(205.4)
Federal Funds		(3.9)	(8.0)	(8.4)	(9.3)	(10.4)	(11.0)	(12.0)	(63.0)
State Funds		(10.0)	(20.9)	(21.6)	(21.9)	(22.1)	(22.8)	(23.1)	(142.4)

\*Non-Elderly, Non-Medicare and have an income at or below 100% FPL

**Exhibit 2**  
**STATE OF IOWA**  
**Iowa Medicaid Enterprise**  
**Impact of Health Reform on Iowa Medicaid Budget**  
**Medicaid Expansion to 100% FPL**  
**Low Scenario**  
**(Values in Millions)**

SFY 2013 - SFY  
2020

**EXPENDITURES**

SFY 2013    SFY 2014    SFY 2015    SFY 2016    SFY 2017    SFY 2018    SFY 2019    SFY 2020

**Health Care Reform**

**Transition of IowaCare (State Budget Portion Only) Population up to 100% FPL to Medicaid Expansion and Movement of IowaCare Population 100%-200% FPL to Exchange**

Total (State and Federal)	42.6	88.7	92.2	95.9	99.7	103.7	107.9	630.7
Federal Funds	47.4	98.7	102.6	101.6	99.2	100.9	100.3	650.7
State Funds	(4.8)	(10.0)	(10.4)	(5.7)	0.5	2.8	7.6	(20.0)
Counties/Others (Not included in the total)	(49.6)	(51.6)	(53.7)	(55.8)	(58.0)	(60.3)	(62.7)	(391.7)

**Transition of Family Planning (FP) Population up to 100% FPL to Medicaid Expansion and Movement of FP Population 100%-300% FPL to Exchange**

Total (State and Federal)	16.7	34.7	36.1	37.6	39.1	40.6	42.2	247.0
Federal Funds	17.3	36.0	37.4	37.6	37.5	38.5	38.9	243.2
State Funds	(0.6)	(1.3)	(1.3)	0.0	1.6	2.1	3.3	3.8

**Transition of Breast & Cervical Cancer (BCCT) Population up to 100% FPL to Medicaid Expansion and Movement of BCCT Population 100%-250% FPL to Exchange**

Total (State and Federal)	(2.1)	(4.3)	(4.5)	(4.7)	(4.9)	(5.0)	(5.2)	(30.7)
Federal Funds	(0.9)	(1.8)	(1.9)	(2.1)	(2.3)	(2.4)	(2.6)	(14.0)
State Funds	(1.2)	(2.5)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(16.7)

**Primary Care Physician Fee Increase**

Current Program (State and Federal)	4.4	9.1	9.5	9.9	10.3	10.7	11.1	11.6	76.6
Expansion (State and Federal)	0.0	0.2	1.5	3.5	3.6	3.8	3.9	4.1	20.6
Total (State and Federal)	4.4	9.3	11.0	13.4	13.9	14.5	15.0	15.7	97.2
Federal Funds	4.4	9.3	8.9	8.7	9.0	9.2	9.6	9.9	69.0
State Funds	0.0	0.0	2.1	4.7	4.9	5.3	5.4	5.8	28.2

**Foster Care Children Expansion to Age 26**

Total (State and Federal)	1.7	3.6	3.8	3.9	4.1	4.2	4.4	25.7
Federal Funds	1.0	2.1	2.2	2.3	2.4	2.4	2.5	14.9
State Funds	0.7	1.5	1.6	1.6	1.7	1.8	1.9	10.8

**Transition (assumed 10%) of Pregnant Women 100%-300%FPL to Exchange**

Total (State and Federal)	(6.6)	(13.7)	(14.2)	(14.8)	(15.4)	(16.0)	(16.6)	(97.3)
Federal Funds	(3.8)	(7.9)	(8.2)	(8.6)	(8.9)	(9.3)	(9.6)	(56.3)
State Funds	(2.8)	(5.8)	(6.0)	(6.2)	(6.5)	(6.7)	(7.0)	(41.0)

**Transition (assumed 10%) of Employed People with Disabilities 100-600% FPL to Exchange**

Total (State and Federal)	(5.4)	(11.3)	(11.8)	(12.3)	(12.7)	(13.3)	(13.8)	(80.6)
Federal Funds	(3.2)	(6.6)	(6.8)	(7.1)	(7.4)	(7.7)	(8.0)	(46.8)
State Funds	(2.2)	(4.7)	(5.0)	(5.2)	(5.3)	(5.6)	(5.8)	(33.8)

**Ongoing HCR Administration Expenses**

Total (State and Federal)	18.8	24.8	23.4	24.3	25.3	26.3	27.4	170.3
Federal Funds	12.9	16.4	15.4	16.1	16.7	17.4	18.1	113.0
State Funds	5.9	8.4	8.0	8.2	8.6	8.9	9.3	57.3

Exhibit 2  
 STATE OF IOWA  
 Iowa Medicaid Enterprise  
 Impact of Health Reform on Iowa Medicaid Budget  
 Medicaid Expansion to 100% FPL  
 Low Scenario  
 (Values in Millions)

EXPENDITURES	<u>SFY 2013</u>	<u>SFY 2014</u>	<u>SFY 2015</u>	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	<u>SFY 2020</u>	<u>SFY 2013 - SFY 2020</u>
<b>All Programs - After Reform</b>									
Total (State and Federal)	3,960.6	4,223.9	4,601.6	4,916.3	5,112.9	5,317.6	5,528.6	5,751.1	39,412.6
Federal Funds	2,407.5	2,562.6	2,843.7	3,095.4	3,217.7	3,330.1	3,457.0	3,546.4	24,460.4
<b>State Funds</b>	<b>1,553.1</b>	<b>1,661.3</b>	<b>1,757.9</b>	<b>1,820.9</b>	<b>1,895.2</b>	<b>1,987.5</b>	<b>2,071.6</b>	<b>2,204.7</b>	<b>14,952.2</b>
<b>All Programs - Fiscal Impact of Reform</b>									
Total (State and Federal)	4.4	119.3	351.9	496.7	516.6	537.3	557.2	580.8	3,164.2
Federal Funds	4.4	130.9	355.2	507.4	526.3	530.9	545.9	518.7	3,119.7
<b>State Funds</b>	<b>0.0</b>	<b>(11.6)</b>	<b>(3.3)</b>	<b>(10.7)</b>	<b>(9.7)</b>	<b>6.4</b>	<b>11.3</b>	<b>62.1</b>	<b>44.5</b>

## Exhibit 3

# Estimated Medicaid Expansion Population, Moderate Scenario

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**Iowa Department of Human Services**  
Financial Impact Review of the Affordable Care Act  
and the Supreme Court of the United States June 29, 2012 decision  
on the Iowa Medicaid Budget

December 13, 2012

This report assumes that the reader is familiar with the State of Iowa's Medicaid program and federal healthcare reform. The report was prepared solely to provide assistance to IME to model the financial impact of federal healthcare reform provisions. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

Exhibit 3  
 STATE OF IOWA  
 Iowa Medicaid Enterprise  
 Estimated Medicaid Expansion Population  
 Medicaid Expansion to 100% FPL  
 Moderate Scenario

\* Totals from this exhibit may differ from totals in the report due to the rounding  
 \* "Insured" status applies to individuals currently insured in the commercial groups or individual market

I. Currently Eligible	Children 00-18 years old									Children 19-20 years old			Parents 19-64 y.o.			Parents 19-64 y.o.			Total		
	up to 100% FPL			100% - 150% FPL			150% - 300% FPL			up to 82% FPL			up to 50% FPL			50-82 % FPL					
General Assumptions	2011 Census Data - Currently Insured and uninsured children below 100% of the FPL.			2011 Census Data - Currently Insured and uninsured children 100-150% of the FPL.			2011 Census Data - Currently Insured and uninsured children 150-300% of the FPL.			2011 Census Data - Currently Insured and uninsured children below 82% of the FPL.			2011 Census Data - Currently Insured and uninsured parents below 50% of the FPL.			2011 Census Data - Currently Insured and uninsured parents 50-82% of the FPL.					
Estimated Numbers	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total
Eligible Population	18,649	20,231	38,880	14,429	22,233	36,663	12,433	113,653	126,085	5,515	6,148	11,663	6,379	1,638	8,017	15,321	5,851	21,172	72,726	169,755	242,481
Participation Rate	62.50%	10.00%		62.5%	10.0%		62.5%	15.0%		80.0%	50.0%		75.0%	65.0%		85.0%	75.0%				
Number to Enroll	11,656	2,023	13,679	9,018	2,223	11,242	7,770	17,048	24,818	4,412	3,074	7,486	4,784	1,065	5,849	13,023	4,388	17,411	50,663	29,822	80,485

II. Newly Eligible	Parents 19-64 y.o.			Non-caretakers 21-64 y.o.			Children 19-20 years old			Total		
	82% - 100% FPL			82% - 100% FPL			82% - 100% FPL					
General Assumptions	2011 Census Data -Currently Insured and uninsured parents 82-100% of the FPL.			2011 Census Data - Currently Insured and uninsured non-caretakers 82-100% of the FPL.			2011 Census Data -- Currently Insured and uninsured children 82-100% of the FPL.					
Estimated Numbers	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total
Eligible Population	8,618	3,291	11,909	30,894	21,713	52,607	9,099	9,941	19,040	48,611	34,946	83,557
Participation Rate	85.0%	75.0%		80.0%	50.0%		80.0%	50.0%				
Number to Enroll	7,325	2,469	9,794	24,715	10,857	35,572	7,279	4,971	12,250	39,320	18,296	57,616

Forest Care Children 21-26 y.o.			
2011 Forest Care Children Expansion			
Estimated Number to enroll	Uninsured	Insured	Total
	214	586	800

Grand Total (Newly Eligibles+"Woodwork"+Foster Care)			
Moderate Scenario			
Estimated Numbers	Uninsured	Insured	Total
Eligible Population	121,551	205,287	326,838
Participation Rate			
Number to Enroll	90,197	48,704	138,901

**Exhibit 4**

**Estimated Medicaid Expansion Population,  
Low Scenario**

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**Iowa Department of Human Services**  
Financial Impact Review of the Affordable Care Act  
and the Supreme Court of the United States June 29, 2012 decision  
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December 13, 2012

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Exhibit 4  
 STATE OF IOWA  
 Iowa Medicaid Enterprise  
 Estimated Medicaid Expansion Population  
 Medicaid Expansion to 100% FPL  
 Low Scenario

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 \* "Insured" status applies to individuals currently insured in the commercial groups or individual market

I. Currently Eligible	Children 00-18 years old									Children 19-20 years old			Parents 19-64 y.o.			Parents 19-64 y.o.			Total		
	up to 100% FPL			100% - 150% FPL			150% - 300% FPL			up to 82% FPL			up to 50% FPL			50-82 % FPL					
General Assumptions	2011 Census Data - Currently Insured and uninsured children below 100% of the FPL.			2011 Census Data - Currently Insured and uninsured children 100-150% of the FPL.			2011 Census Data - Currently Insured and uninsured children 150-300% of the FPL.			2011 Census Data - Currently Insured and uninsured children below 82% of the FPL.			2011 Census Data - Currently Insured and uninsured parents below 50% of the FPL.			2011 Census Data - Currently Insured and uninsured parents 50-82% of the FPL.					
Estimated Numbers	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total
Eligible Population	18,789	20,383	39,171	14,537	22,400	36,937	12,526	114,502	127,028	5,556	6,194	11,750	6,427	1,650	8,077	15,435	5,895	21,330	73,269	171,023	244,293
Participation Rate	37.5%	5.0%		37.5%	5.0%		37.5%	10.0%		55.0%	25.0%		50.0%	40.0%		60.0%	50.0%				
Number to Enroll	7,046	1,019	8,065	5,451	1,120	6,571	4,697	11,450	16,147	3,056	1,549	4,604	3,214	660	3,874	9,261	2,948	12,209	32,725	18,745	51,470

II. Newly Eligible	Parents 19-64 y.o.			Non-caretakers 21-64 y.o.			Children 19-20 years old			Total		
	82% - 100% FPL			82% - 100% FPL			82% - 100% FPL					
General Assumptions	2011 Census Data -Currently Insured and uninsured parents 82-100% of the FPL.			2011 Census Data - Currently Insured and uninsured non-caretakers 82-100% of the FPL.			2011 Census Data -- Currently Insured and uninsured children 82-100% of the FPL.					
Estimated Numbers	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total	Uninsured	Insured	Total
Eligible Population	8,682	3,316	11,998	31,125	21,876	53,001	9,167	10,016	19,183	48,974	35,207	84,181
Participation Rate	60.0%	50.0%		55.0%	25.0%		55.0%	25.0%				
Number to Enroll	5,209	1,658	6,867	17,119	5,469	22,588	5,042	2,504	7,546	27,370	9,631	37,001

Forest Care Children 21-26 y.o.			
2011 Forest Care Children Expansion			
Estimated	Uninsured	Insured	Total
Number to enroll	214	586	800

Grand Total (Newly Eligibles+"Woodwork"+Foster Care)			
Low Scenario			
Estimated Numbers	Uninsured	Insured	Total
Eligible Population	122,457	206,817	329,274
Participation Rate			
Number to Enroll	60,308	28,962	89,271