

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State/Territory: Iowa

Citation	Condition or Requirement
1906 of the Act	State Method on Cost-Effectiveness of Employer-Based Group Health Plans

Iowa's formula for determining cost-effectiveness of insurance plans is as follows:

$$\text{Savings from the plan}^* = \text{CSM} - \text{K1 (CSM)} + (\text{K1}) (\text{K2}) (\text{CSM}) - \text{EP} - \text{AC}$$

DEFINITIONS:

CSM Computer-summed Medicaid costs: Average Medicaid expenditures (only for the services covered under the insurance plan) from the previous fiscal year, for persons with like demographic data and no third party resources, excluding Medicare. Previous fiscal year costs are adjusted accordingly for inflation and scheduled provider reimbursement rate increases.

Average Medicaid cost is determined for each Medicaid-eligible person in the household by the following demographic data:

- Age
 - 0 through 60 days
 - 61 days through 5 years
 - 6 years through 12 years
 - 13 years through 20 years
 - 21 years through 48 years
 - 49 years through 65 years
 - 66 years through 79 years
 - 80 + years

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2. Sex	Male or female
3. State-assigned aid type	Basis of Medicaid eligibility in mandatory or optional coverage groups.
4. Institutional status	Institutionalized or not institutionalized
5. Medicare status	Receiving Medicare or not receiving Medicare
EP	Premium amount + deductible.
AC	Administrative cost: \$50 annually per recipient.
K1	A constant factor to account for the state-specific factor to adjust the Medicaid average covered expense amount for the higher prices employers pay. This factor equals 1.6.
K2	A constant factor which represents the state-specific average employer health insurance payment rate. This factor equals 1.0.
	* Savings must equal or exceed \$5.00 per month.

If the formula indicates that the policy is not cost-effective based on average Medicaid expenditures for similar households, the specific health-related circumstances of the household are examined. Group health insurance will be purchased if the household's anticipated medical expenditures are enough higher than average to make the policy cost-effective.

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