

NOVEMBER MEDICAID FORECAST FOR FY 2006 AND FY 2007

Medicaid Estimates

Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on November 18 to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2006 and FY 2007. The three staffs meet monthly to discuss and agree upon a range for estimated expenditures.

FY 2006



House File 825 (FY 2006 Health and Human Services Appropriations Act), as amended by HF 882 (FY 2006 Standing Appropriations Act) and HF 841 (IowaCare Medicaid Reform Act), included 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 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, which is the same as the October projection. The shortfall estimate includes the following assumptions:

- Enrollment growth of 3.5% to 4.0%. The FY 2006 appropriation is based on 3.5% in enrollment growth. This difference results in increased expenditures of between \$0.0 and \$15.0 million. Enrollment growth was 5.8% for FY 2005. The implementation in the IowaCare Program may increase Medicaid enrollment.
- An estimated net cost of \$12.9 million due to a provision included in HF 841.
- A shortage of \$6.4 million due to the FY 2005 supplemental appropriation 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) relating 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.

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- \$8.0 million to pay for an anticipated federal Medicare Part D Drug Benefit woodwork effect that is 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 2006.
- 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 3.0% provider increase to nursing facilities. Payments to nursing facilities do not include any inflationary increases.
- A payment of approximately \$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 eight months of FY 2005.
- During the 2005 Legislative Session, the exact amount of Iowa's clawback payment for Medicare Part D was not known, so an estimate was used. The actual payment is expected to be about \$4.3 million more than the estimate.
- \$5.7 million will be needed to fund Medicare buy-in for eight months of FY 2006. Premium rates for both Medicare Parts A and B have been increased for FY 2006.

FY 2007

For FY 2007, the three staffs agreed to an estimated increase of between \$100.0 and \$140.0 million compared to the FY 2006 appropriation. The increase for FY 2007 includes the following assumptions:



- An enrollment increase of between 3.0% and 4.5%, resulting in an estimated \$20.4 to \$32.8 million in additional costs.
- \$39.0 to \$54.0 million for the FY 2006 supplemental appropriation.
- \$1.9 million to annualize the increased cost of Medicare buy-in resulting from the increase in Medicare premiums.
- \$8.0 million to annualize the cost of the Medicare Part D woodwork effect.
- An estimated 1.0% medical inflation rate will result in an estimated \$8.0 million in additional costs.
- In FY 2007, the Federal Medical Assistance Percentage (FMAP) will decrease from 63.61% to 61.98%, resulting in an estimated additional cost to the State of \$13.4 million.

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 waiting lists. 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 non-traditional Medicaid services, such as Adult Rehabilitative Option (ARO) and Rehabilitative Treatment Support Services (RTSS) for FFY 2006 are possibilities.

The Legislature funded only \$2.0 million of the \$3.0 million that was appropriated to Broadlawns to finance IowaCare in FY 2006. Legislation will be required in the upcoming Session to fund the remaining \$1.0 million from the Health Care Transformation Account.

A provision included in HF 841 requires the Medical Assistance Projections and Assessment Council (MAPAC) to issue an official estimate for the FY 2007 Medicaid budget. The three staffs are working on a presentation for the January MAPAC meeting in order to assist legislators in providing the estimate.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannsen (Ext. 14611)

TOBACCO SETTLEMENT AUTHORITY RESTRUCTURES TOBACCO SERIES 2001 BONDS

Restructuring



The Tobacco Settlement Authority (TSA) restructured the existing debt related to the Series 2001 bonds. The restructuring was completed in accordance with Section 12.65, Code of Iowa. The funds were applied as follows:

Distribution of Funds

Escrow - Pay off Series 2001 Bonds	\$ 666,800,000
Debt Service Reserve Account - Series 2005 Bonds	59,200,000
Costs of Issuance	2,300,000
Proceeds to the State of Iowa	
Endowment for Iowa's Health - Restricted Capitals Fund	100,500,000
Endowment for Iowa's Health Account	50,200,000
Enforcement Reserve Account	3,000,000
Total	<u>\$ 882,000,000</u>

Uses of Proceeds

Expenditures from the Restricted Capitals Fund must comply with Internal Revenue Service (IRS) rules and are restricted to depreciable assets. The \$50.2 million deposited into the Endowment for Iowa's Health Account may be used for health-related expenditures. The TSA created an Enforcement Reserve Account in the indenture related to the refinancing. This Fund remains under the control of the TSA, which must approve any expenditure from the Fund.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Dave Reynolds (Ext. 16934)

NOVEMBER INDIGENT DEFENSE CLAIMS PAID BY THE STATE APPEAL BOARD

Appeal Board



The LSA received notification that approximately \$45,000 in Indigent Defense claims were paid by the State Appeal Board in November 2005. Indigent Defense provides legal counsel to indigent defendants in criminal court proceedings. Payments were made to private attorneys, court reporters, investigators, interpreters, expert witnesses, psychiatrists, and psychologists.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

WATERSHED IMPROVEMENT REVIEW BOARD MEETING

Watershed Meeting

The Watershed Improvement Review Board met on December 2 in Des Moines. Senator David Johnson and Representatives Sandy Greiner and Dolores Mertz were in attendance.

Grant Applications



Jerry Neppel, Department of Agriculture and Land Stewardship (DALs), reported that 46 applications for grant funding from the Watershed Improvement Fund had been received. The Board discussed the procedures that will be used for ranking the projects at the December 19 meeting. Other data related to the applications included:

- The total funding requested from the Watershed Improvement Fund is \$12.6 million. All grant applications include additional funding sources, with total project costs of \$30.0 million.
- Of the applications received, two projects will be completed in less than one year, four will be completed in one year, and 33 will be completed within a three-year period.
- There were 15 applications received from not-for-profit organizations and 31 from Soil and Water Conservation Districts.

Administrative Rules

The Board reviewed public comments submitted for Administrative Rules and made modifications to the draft rules document. The Board will consider the revised rules document at the December 19 meeting.

More Information

The next meeting is scheduled for December 19 in Des Moines. Additional information is available from the LSA upon request. For more information on the Watershed Improvement Review Board, access the web site at: <http://www.agriculture.state.ia.us/IWIRB.htm>.

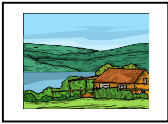
STAFF CONTACT: Debra Kozel (Ext. 16767)

STATE SOIL CONSERVATION COMMITTEE MEETING

Committee Meeting

The State Soil Conservation Committee met on December 1 in Des Moines.

Budget Discussion



The Committee reviewed the following budget requests in the Soil Conservation Division:

- A General Fund request of \$421,000 for FY 2007, including:
 - \$321,000 and 10.0 FTE positions for soil conservation field technicians.
 - \$100,000 for an employee training program.
- Environment First Fund requests, including:
 - \$8.5 million for the Soil Conservation Cost Share Program, an increase of \$3.0 million compared to estimated FY 2006.
 - \$5.4 million for the Watershed Protection Program, an increase of \$2.7 million compared to estimated FY 2006.
 - \$1.6 million for the Integrated Farm and Livestock Demonstration Program, an increase of \$850,000 compared to estimated FY 2006.
 - \$3.0 million for the Conservation Reserve Enhancement Program (CREP), an increase of \$1.5 million compared to estimated FY 2006.
 - \$2.0 million for the District Operations and Initiatives Program, which maintains the current level of funding.
 - \$2.5 million for the Agriculture Drainage Wells Closure Program, an increase of \$2.0 million compared to estimated FY 2006.

Conservation Districts



The Committee agreed to support budget proposals submitted by the Conservation Districts of Iowa that include:

- A FY 2006 supplemental appropriation of \$150,000 to reimburse expenditures for District Soil and Water Commissioners.
- A FY 2007 budget request of \$350,000 to reimburse expenditures for District Soil and Water Commissioners.

Watershed Board

Ken Tow, Department of Agriculture and Land Stewardship (DALs), stated that 46 grant proposals were received for the Watershed Improvement Review Board. The total funding requested is \$12.6 million. The Board will make grant selections at the December 19 meeting.

More Information

The next meeting is scheduled for January 18 in Des Moines. Additional information is available from the LSA upon request. For more information about the State Soil Conservation Committee, access the web site at: <http://www.agriculture.state.ia.us/scccommittee.htm>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

ENVIRONMENTAL PROTECTION COMMISSION MEETING

November Meeting

The Environmental Protection Commission met on November 21 in Des Moines. There was an informal discussion held prior to the meeting on the impact of the growth in the number of livestock confinement operations in Iowa.

Solid Waste Projects



The Commission approved 10 projects that will receive funding from the Solid Waste Alternatives Program. The projects will receive \$815,000 in loans as follows:

- \$477,000 to local governments.
- \$322,000 to private companies.
- \$16,000 to a not-for-profit business.

Administrative Rules

The Commission approved the following related to Administrative Rules:

- Notice of Intended Action related to revisions to the State Revolving Fund.
- Notice of Intended Action related to the designation of public wetlands.

Referred Cases



The following cases were referred to the Attorney General's Office:

- The Iowa Regional Utilities Association in Newton related to wastewater and water supply violations.
- David Peterson in Winnebago County related to a discharge from an animal feeding operation.
- Four cases in which the Department had issued an Administrative Order and fine for failure to submit a manure management plan. None have paid the fine or responded to the DNR. They include:
 - James Dos, Blackhawk County, who has 800 finishing hogs and 172,000 chickens.
 - Travis Aldag, Ida County, who has 1,600 finishing hogs.
 - Dean Gettler, Montgomery County, who has 1,350 finishing hogs.
 - David Kass in Plymouth County, who has 2,000 finishing hogs.

Federal Air Quality

The Commission received a presentation regarding the implementation of federal air quality rules that included:

- Clean Air Interstate Rules that require implementation of emission control programs for nitrogen oxides and sulfur dioxide. These elements are precursors of ozone and fine particulate matter.
- Clean Air Mercury Rules that require implementation of emission control programs for mercury from coal-fired electric generating units.

More Information

The next meeting is scheduled for December 19. Additional information is available from the LSA upon request. For review of Commission agendas, minutes, and other related information, access the Department of Natural Resources web site at: <http://www.iowadnr.com/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

NOVEMBER ANTLERLESS DEER SEASON SUMMARY

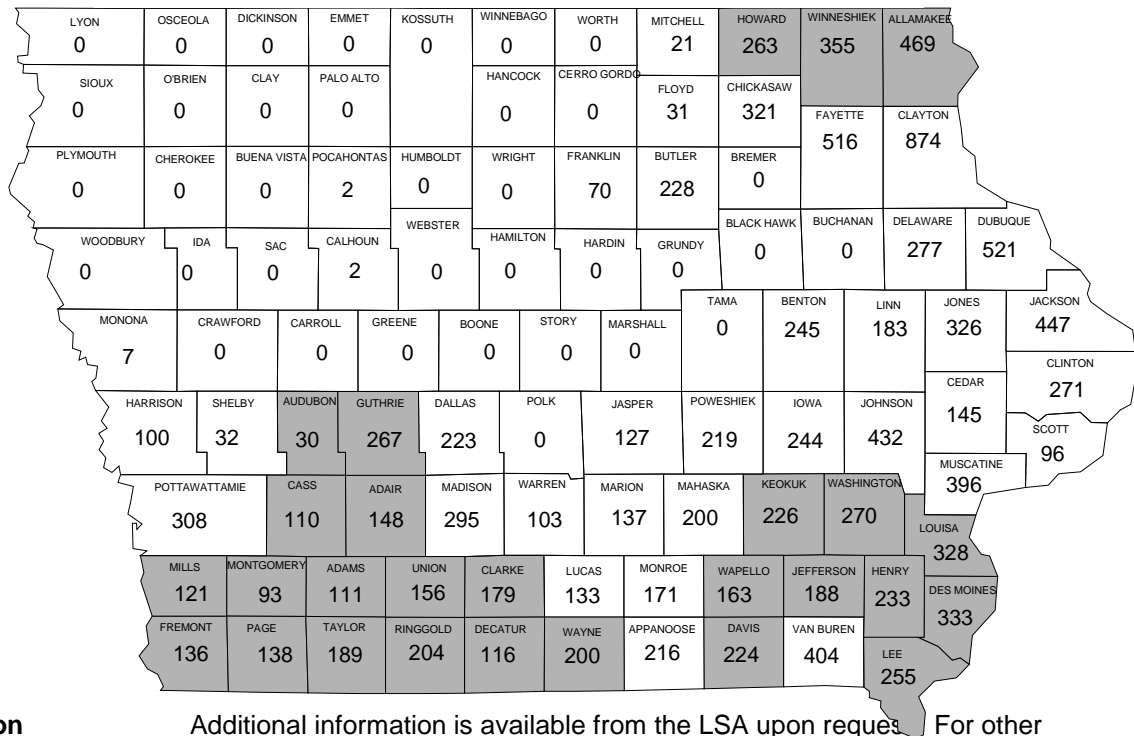
Antlerless Deer Season

The Department of Natural Resources (DNR) reported the following results for the antlerless deer season that was held from November 25-27:



- A total of 16,845 antlerless deer licenses were issued for this season, including 13,828 regular licenses and 3,017 landowner/tenant licenses. Of this amount, 85.0% of the hunters obtained one license, 13.0% obtained two, and 2.0% obtained more than two.
- Based on the licenses issued, the Department estimates that between 10,000 to 11,000 deer were killed during the three-day season and that between 8,000 to 9,000 of these deer were does.
- About 40.0% of the regular licenses were issued in 27 counties where the antlerless quota was unfilled last year. The map below has those counties shaded in gray. It is estimated that the total number of deer killed in these counties increased by 6.0% to 8.0% and the number of does killed increased by 10.0% to 12.0%.

**Licenses Sold For November 2005 Antlerless Deer Season
Department of Natural Resources**



More Information

Additional information is available from the LSA upon request. For other related information, access the DNR web site at: <http://www.iowadnr.com/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)