

Medicaid Privatization Timeline Update

Research Paper – September 2019

January 2015 - Branstad tells Legislature he has decided to unilaterally privatize Medicaid.

February 16, 2015 – The Iowa Department of Human Services (DHS) releases RFP to procure private Managed Care Organizations (MCOs).

August 17, 2015 - MCOs awarded contracts: AmeriHealth Caritas, United, Amerigroup and WellCare.

November 2015 - Senators Mathis, Ragan and Jochum travel to DC to talk with White House officials and the Centers for Medicare & Medicaid Services (CMS) about delaying or rejecting Iowa's application to move to managed care.

December 2015 - CMS makes a site visit to Iowa.

December 15, 2015 - CMS delays Iowa privatization implementation to March 1, 2016.

December 18, 2015 - WellCare contract is terminated for failure to disclose wrongdoing in other states.

December 31, 2015 - Wellmark hawk-i contract ends. Because of the delayed implementation, hawk-i members have only one option: United Healthcare.

January 1, 2016 - Original date for implementation before CMS delay.

February 11, 2016 - Senate votes to terminate Medicaid privatization contracts 29-19 (with Rs Chapman, D. Johnson and Shipley voting "yes," and a note in the journal from Zaun, who was absent, saying he would have voted "yes").

March 1, 2016 - Privatization delayed again by CMS until April 1.

April 1, 2016 - Privatization begins.

April 1, 2016 to now - Privatization is a disaster that keeps getting worse, not better.

Fall 2016 - Governor Branstad increases rates for MCOs due to rising pharmaceutical costs and other emerging trends. At the time, it was estimated to cost \$33.2 million from state funds and \$94.5 million from federal funds, for a total increase to the MCOs of \$127.7 million.*

February 2017 - MCOs report to the Legislature's Health and Human Services Budget Subcommittee that they are losing a combined total of \$450 million.

March 24, 2017 - An FOIA request from the Des Moines Register reveals that the State had signed contract amendments with the MCOs giving them an additional \$235 million in a "risk corridor" arrangement. Since this was mostly due to Health and Wellness Plan members, the state portion was estimated at \$10 million and the federal portion at \$225 million because of the enhanced match rate for the Health and Wellness Plan (Medicaid expansion). Risk corridor plan was later denied by CMS.*

May 31, 2017 - Chuck Palmer announces June 16 retirement.

June 16, 2017 - Jerry Foxhoven starts as new DHS director.

August 23, 2017 - Mikki Stier reassigned from Medicaid Director to Deputy Director of DHS.

October 1, 2017 - AmeriHealth gives 60-day notice to DHS that they will leave Iowa.

October 31, 2017 - DHS announces AmeriHealth will leave Iowa in 30 days.

October 31, 2017 - DHS announces the MCOs will receive a 3.3% increase** (\$60 million in state funds; \$80 million federal) in capitation rates for fiscal year 2018 (after negotiations stretched into FY18). The emerging trends payments will actually total almost \$78 million in state funds as opposed to the Fall 2016 estimate of \$33.2 million. The risk corridor arrangement for Health and Wellness Plan members was not approved by CMS. The emerging trends increases will be paid retroactively to the beginning of the program, April 1, 2016.*

October 31, 2017 - DHS announces 215,000 members will be auto enrolled to Amerigroup and United.

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November 7, 2017 - DHS announces that all 215,000 members will instead be enrolled with United but members can choose to change to Amerigroup.

November 7, 2017 - DHS announces that new RFP for additional MCOs will be delayed from July 2018 to July 2019.

November 21, 2017 - Amerigroup will not accept any new members.

November 22, 2017 - DHS announces CMS has granted temporary permission to offer no choice of MCOs.

November 23, 2017 - DHS clarifies it has only communicated with CMS on the no-choice situation.

November 27, 2017 - DHS announces that 10,000 members that tried to sign on with Amerigroup before November 16 will be covered instead under traditional Medicaid fee-for-service and all other former AmeriHealth members will be assigned to United.

November 29, 2017 - Senators Ragan and Mathis ask Governor Reynolds to give all former AmeriHealth members the choice between United and fee-for-service.

December 1, 2017 - 10,121 former AmeriHealth members that chose Amerigroup before November 16, 2017 are in the Medicaid fee-for-service program.

December 1, 2017 - Approximately 208,000 former AmeriHealth members getting coverage from United, regardless of their preference.

December 4, 2017 - New Medicaid Director, Michael Randol, begins work in Iowa. He was formerly the Medicaid Director in Kansas, the only state with a Medicaid disaster worse than Iowa's.

*Emerging Trends and Risk Corridor Fiscal Information

	Increase Over March 2016 Base Rates					
	Original Proposal IHPW Risk Corridor		Current Proposal Emerging Trends Adjustment		Difference	
	Total	State	Total	State	Total	State
October 2016 Emerging Trends and LTSS Remix Adjustment	183,182,196	58,866,216	183,182,196	58,866,216	0	0
IHPW Risk Corridor	230,000,000	18,929,000	0	0	(230,000,000)	(18,929,000)
August 2017 Additional Emerging Trends Adjustment	0	0	195,954,370	18,971,451	195,954,370	18,971,451
LTSS Risk Corridor Payment	300,000	122,100	300,000	122,100	0	0
Grand Total	413,482,196	77,917,316	379,436,566	77,959,766	(34,045,630)	42,451

**3.3% Capitation Increase Fiscal Information (payments made to the MCOs, per member per month)

3.3% Increase to Capitation Payments			
	Total	Federal	State
SFY17 Final	4,192,804,742	2,768,821,738	1,423,983,003
SFY18 Adjusted	4,333,022,199	2,848,392,744	1,484,629,455
Difference	140,217,457	79,571,006	60,646,451
Percent Change	3.3%	2.9%	4.3%

The 3.3% increase (actually a 4.3% increase in state funds) is about capitated payment rate cells only, not all Medicaid expenditures. DHS says they can increase the capitated payments without new state money. They do this with a combination of surplus funds, with less than estimated costs in some areas, and by pushing the emerging trends increases into the future because of the time it takes to re-process all the capitated payments back to April 1, 2016. It takes a month to re-process a month's worth of payments. It is unfortunate that cost-containment strategies were implemented in FY18 on the backs of providers and Medicaid members. Those total more than \$32 million (state funds), but the MCOs get a \$60 million (state funds) increase.

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February 2018 - Iowa Medicaid ends contract with Milliman, the actuarial firm that determined payment rates to MCOs, and hired a new actuarial firm, Optimas.

April 2018 - Amerigroup begins accepting more Medicaid members after four months of “no choice.” This allows 10,000 members who temporarily had been in fee-for-service to be shifted to Amerigroup.

May 2018 - HHS FY19 budget includes NO money for any capitation rate increases for the MCOs, and negotiations with the MCOs continue even though Director Foxhoven promised resolution before the end of session.

May 2018 - Iowa Total Care is selected an MCO through RFP (two applicants) to begin service July 1, 2019.

June 2018 – Iowa Medicaid Enterprise (IME) announces a new \$1,000 cap on Dental Wellness Plan services for adult members.

June 2018 - University of Iowa Dental College announces it will no longer accept Medicaid patients.

June 2018 - Director Randol explains yet another estimate of the “savings” provided by privatization. The original amount was \$232 million per year. That decreased to \$47 million per year in Fall 2017. In May 2018, the amount was revised to \$140.9 million. There is NO data on how the savings are achieved (through fewer hospitalizations, healthier Iowans, etc.).

July 2018 - Iowa Total Care (Centene) is selected as Iowa’s third MCO, to begin providing services in July 2019. This creates another round of disruptions for Iowa Medicaid members. Many are concerned that members will not be able to keep their provider; providers won’t sign up with the new company because of previous problems. In addition, Iowa Total Care has had at least \$23 million in penalties assessed to them in other states.

August 2018 - Negotiations with MCOs for FY18 (which began July 1, 2017) are finally complete. The Reynolds Administration agrees to a 7.5% increase for MCOs, which is actually an 8.4 percent overall increase when state and federal funds are added together—more than double the 3.3% increase granted the previous fiscal year. State: \$103 million; federal: \$241 million; total increase: \$344 million.
See DHS Chart at right.

Sept 2018 - DHS announces they will move to calendar-year contracts with MCOs.

Dec 2018 – The supplemental appropriation for FY19 Medicaid is \$141 million; revised to \$150 million in March 2019.

SFY19 MCO Rate Increase					
9/12/2018					
Key Assumptions					
Values are based on gross capitation rates.					
SFY18 and SFY19 Values are based on SFY17 enrollment underlying rate development.					
Values exclude amounts related to the Health Insurance Fee.					
I. Include GME and Physician UPL Pass-Through Payments					
	Total	Federal	Non-Federal		
			State	Other¹	Total NF
SFY18 Final	4,190,972,801	2,792,864,274	1,376,778,339	21,330,188	1,398,108,526
SFY19 Final	4,550,725,191	3,044,783,202	1,479,652,060	26,289,930	1,505,941,990
SFY18-SFY19 Difference	359,752,390	251,918,927	102,873,721	4,959,742	107,833,463
SFY18-SFY19 Percent Change	8.6%	9.0%	7.5%	23.3%	7.7%
II. Exclude GME and Physician UPL Pass-Through Payments					
	Total	Federal	Non-Federal		
			State	Other	Total NF
SFY18 Final	4,120,626,481	2,745,985,487	1,374,640,994	0	1,374,640,994
SFY19 Final	4,464,822,337	2,987,307,622	1,477,514,715	0	1,477,514,715
SFY18-SFY19 Difference	344,195,856	241,322,135	102,873,721	0	102,873,721
SFY18-SFY19 Percent Change	8.4%	8.8%	7.5%	0.0%	7.5%
Notes					
¹ The other funding sources include the University of Iowa and Broadlawns share of the GME pass-through payments and the University of Iowa’s share of the physician UPL pass-through payments.					

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February 2019 - DHS shares information and timeline on transition and auto reassessments for Iowa Total Care starting service on July 1, 2019.

March 2019 – With the approaching addition of Iowa Total Care, letters to all Medicaid members reassign their MCOs.

March 2019 - United Healthcare announces its departure from Iowa Medicaid program.

March 2019 – A new Medicaid forecast document reveals that DHS is no longer moving to calendar year contracts with MCOs. In addition, DHS has signed contract Amendment #8, giving the MCOs another 0.5% raise in capitation payments from January through June 2018. This raises the FY19 supplemental need by \$4 million.

April 2019 – To cover MCO increases, DHS gets a \$150 million FY19 supplemental in the FY20 budget bill for Medicaid.

April 2019 - DHS enters contract negotiations for FY20.

April 2019 - DHS develops a transition plan due to United Healthcare's departure.

June 17, 2019 - Governor Reynolds asks for Director Foxhoven's resignation and appoints Gerd Clabaugh to Acting DHS Director. Liz Matney moves to Governor's office.

June 30, 2019 - United Healthcare departs Iowa Medicaid Program.

July 1, 2019 - Iowa Total Care begins serving Iowa Medicaid members.

July 10, 2019 - FY20 MCO contracts are signed, with MCOs set to receive an 8.6% increase. *Details in chart below.*

I. Include GME, Physician UPL and GEMT Supplemental Payments

	Total	Federal	Non-Federal		
			State	Other ¹	Total NF
SFY19 Final	4,572,587,906	3,081,293,332	1,464,119,745	27,174,829	1,491,294,574
SFY20 Final	4,997,917,882	3,367,303,258	1,578,904,662	51,709,962	1,630,614,624
SFY19-SFY20 Difference	425,329,975	286,009,926	114,784,917	24,535,133	139,320,050
SFY19-SFY20 Percent Change	9.3%	9.3%	7.8%	90.3%	9.3%

II. Exclude GME, Physician UPL and GEMT Supplemental Payments

	Total	Federal	Non-Federal		
			State	Other ²	Total NF
SFY19 Final	4,487,087,102	3,022,967,357	1,464,119,745	0	1,464,119,745
SFY20 Final	4,872,770,662	3,280,565,200	1,578,904,662	13,300,800	1,592,205,462
SFY19-SFY20 Difference	385,683,560	257,597,843	114,784,917	13,300,800	128,085,717
SFY19-SFY20 Percent Change	8.6%	8.5%	7.8%	0.0%	8.7%

Sept 5, 2019 - Governor Reynolds hires Kelly Kennedy Garcia from Texas as DHS Director starting on November 1, 2019.

Sept 10, 2019 - FY21 DHS budget request shows a \$106 million supplemental need for Medicaid for FY20: \$67.8 million for MCO increases; \$9.1 million for budgeted shortfall; \$7.9 million due to less from HCTF; \$17.2 million due to decreased pharmacy rebates; and \$4.5 million in other changes.

Notes

¹The other funding sources include the non-federal share of the GME supplemental payments, the University of Iowa's share of the physician UPL supplemental payments, the GEMT providers' share of supplemental payments, and the non-federal share of the nursing facility assessment fee increase.

²The other funding sources include the non-federal share of the nursing facility assessment fee increase.

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Talking Points

For more than three years now, we've battled the mess created when the Governor and Republican legislators privatized the health care of 600,000 Iowans. No matter how bad things get, supporters stick their heads in the sand and claim it's working, while a \$5 billion health care system crumbles.

The for-profit corporations running Medicaid are denying services to disabled, elderly and vulnerable Iowans, and not properly reimbursing health care providers. In turn, health care providers are refusing to treat Medicaid patients, and some have been forced to close up shop. All the while, taxpayers are forced to cough up more of their hard-earned money for less.

Two of the private for-profit managed care companies have abandoned Iowa because they weren't making a big enough profit. This has left Iowa Medicaid unstable. With a new MCO serving Iowans beginning July 1, 2019, it's like starting over again.

This is frightening for many Iowans. After all, any one of us is just an accident or an illness away from needing Medicaid ourselves.

In spite of all the problems, Governor Reynolds recently agreed to give the for-profit managed care companies a big raise for the second year in a row. In FY19 they received an 8.4 percent increase, and for FY20 they're getting an 8.6 percent increase. The privatized system costs MORE—not less—and offers less access to services for Iowans.

Increasing payments to MCOs will require another supplemental appropriation during the 2020 legislative session.

Unfortunately, we're also likely to see:

- Cuts and further payment delays to health care providers that offering critical services to hundreds of thousands of Iowans.
- More hurdles for Medicaid recipients to get the health care they need.
- Fewer dollars for education, public safety and other priorities, as we spend pay more to out-of-state, for-profit MCOs.

Privatized Medicaid was sold as a way to save money and make Iowans healthier than a state-run system could do. We know it's not saving money, and there is no evidence that Iowans are better off.

For-profit Medicaid has been a disaster for Iowa families and health care providers. It's proving to be an even bigger disaster for the state budget and Iowa taxpayers.

Governor Reynolds and legislative Republicans should reverse course and join legislative Democrats in supporting a return to a more efficient, publicly managed system that is not based on making a profit.