



Restoring success of Iowa Medicaid

Medicaid provides health care to thousands of elderly, low-income and disabled Iowans. The program uses federal and state dollars, and states have autonomy to design and administer the program within federal guidelines. Medicaid reimburses managed care plans, doctors, hospitals, and nursing homes for certain services.¹ In the state of Iowa, Medicaid covers 1 in 8 adults under the age of 65, 2 in 5 low-income individuals, 2 in 5 children, 1 in 2 nursing home residents, and 2 in 5 people with disabilities.² Medicaid spending in Iowa amounted to \$4.8 billion in fiscal year 2016.³ Iowa’s decision to participate in the Medicaid expansion of 2013 not only provided health insurance coverage to tens of thousands of low-wage workers, but also provided an enormous boost to the state’s economy. This success, however, was followed by a succession of frustrations brought on by Medicaid privatization in 2016.

Destination:

Making Iowans secure, by:

- Assuring economically vulnerable Iowans have access to health care.
- Cutting costs driven by a for-profit focus to care.

Medicaid expansion pumps millions into Iowa economy

The Affordable Care Act brought a significant expansion of Medicaid and provided health coverage to an additional 150,000 low-income adults in Iowa, with the federal government initially covering 100 percent of the cost. The infusion of federal dollars — \$730 million in 2015⁴ — boosted the state’s economy, creating over 10,000 jobs and over \$500 million in annual income to Iowans. The Medicaid expansion

has had a huge impact particularly in rural Iowa, where the percent of non-elderly residents who were uninsured was cut nearly in half between 2013 and 2015.⁵

Medicaid Expansion — Billion-Dollar Boost to Iowa's Economy

	Jobs	Employee Compensation (millions)	Value Added (millions)	Output (millions)
Direct impact	6,975	\$371.1	\$388.2	\$575.0
Indirect impact	946	\$43.5	\$81.0	\$134.1
Induced impact	2,400	\$93.4	\$174.3	\$309.1
Total impact	10,322	\$507.9	\$643.5	\$1,023.2

Our 2018 edition of the

Cost of Living in Iowa finds that the Affordable Care Act reduces a significant household budget “cliff” — where a loss of benefits due to income limits is greater than the small increase in wages — by 92 percent for a family of four with two working adults.⁶

Privatization brings uncertainty to Medicaid recipients, providers

On his own, Governor Terry Branstad privatized Medicaid in Iowa in 2016. Under privatization, the majority of Medicaid recipients were managed by one of three Managed Care Organizations (MCOs): AmeriHealth Caritas Iowa Inc., Amerigroup Iowa Inc., and UnitedHealthcare Plan for the River Valley Inc. These private insurers together faced more than \$500 million in losses in the first year. This led AmeriHealth Caritas, the MCO covering the largest share of special needs patients, to leave Iowa in November 2017. Before withdrawing, AmeriHealth Caritas made cost-cutting moves such as lowering reimbursement rates for community- and home-based service providers.⁷

Promised savings have not materialized, and now the state is looking at additional payments to the private companies. Branstad predicted \$232 million in savings from handing over Iowa Medicaid to for-profit companies; this estimate plummeted to \$47 million in fall 2017, but then increased to \$141 million under a new program director in May.⁸ Many critics of Medicaid privatization have voiced grave concerns over inconsistency and poor transparency in calculating cost savings to the state. And in August, the state announced a 7.5 percent spending increase to private insurance companies from the previous year: \$102.9 million from taxpayers.⁹

Both patients and providers note failures in the new plan. Iowa's Managed Care Ombudsman received more than 1,800 complaints in a year over the denial, reduction or termination of Medicaid participant services. A survey of 400 providers found administrative costs rising due to reimbursement issues with the MCOs, and payments to providers were delayed in 2016.¹⁰ A new filing by AmeriHealth Caritas shows that still owes \$14.6 million to providers from 2017.¹¹

The experiment with privatization itself never put the common good first. A report by In the Public Interest explores how privatizing public goods compounds inequality. Private insurers working to profit by transferring costs to low-income patients can conflict with the purpose of providing those patients with services.¹² Iowa can reverse this damaging switch by returning to and improving upon a state-run system that served disabled and low-income Iowans for years.

Policy Alternatives

- Return to a publicly-run model that puts health-care access, long-term stability and fiscal accountability ahead of profit. Build and improve upon existing infrastructure and cancel contracts with for-profit managed care companies.
- Ensure that cost savings are due to increased innovation and efficiency, not cutting worker wages or restricting quality or denying services.
- Provide transparency on government contracting, including money spent on private contracts, number of people employed by contracts, and their wages.¹³

¹ Center on Budget and Policy Priorities, "Policy Basics: Introduction to Medicaid." August 2016. <https://tinyurl.com/yb89xqj2>

² Kaiser Family Foundation, "Medicaid in Iowa." June 2017. <http://files.kff.org/attachment/fact-sheet-medicaid-state-IA>

³ Ibid.

⁴ Rachel Garfield and Robin Rudowitz. State-by-State Estimates of Reductions in Federal Medicaid Funding Under Repeal of the ACA Medicaid Expansion. Issue Brief. The Kaiser Family Foundation, July 2017. <http://files.kff.org/attachment/Issue-Brief-State-by-State-Estimates-of-Reductions-in-Federal-Medicaid-Funding-Under-Repeal-of-the-ACA-Medicaid-Expansion>

⁵ Kaiser Family Foundation. Changes in Insurance Coverage in Rural Areas under the ACA: A Focus on Medicaid Expansion States. May 4, 2017. <http://www.kff.org/medicaid/fact-sheet/changes-in-insurance-coverage-in-rural-areas-under-the-aca-a-focus-on-medicaid-expansion-states/>

⁶ Peter Fisher and Natalie Veldhouse, "The Cost of Living in Iowa: The Role of Work Supports." September 2018.

⁷ Chelsea Keenan and Rod Boshart, "AmeriHealth Caritas leaving Iowa Medicaid Program." October 2017. The Gazette. <https://www.thegazette.com/subject/news/health/amerihealth-caritas-leaving-iowa-medicaid-program-20171031>

⁸ Tony Leys, "Iowa Medicaid director: Privatization is saving money but it's hard to say how much." June 2018. Des Moines Register. <https://www.desmoinesregister.com/story/news/health/2018/06/13/iowa-medicaid-chief-privatized-health-care-regardless-methodology-there-savings/697733002>

⁹ Michelle Ram, "Iowa agrees to \$103 million payment to Medicaid insurance companies." August 2018. The Gazette. <https://www.thegazette.com/subject/news/health/iowa-managed-care-organizations-continue-state-medicaid-program-fiscal-year-2019-jerry-foxhoven-iowa-department-of-human-services-20180824>

¹⁰ In the Public Interest, "Privatizing the VA: Lessons from privatized Medicaid in Kansas and Iowa." March 2018. https://www.inthepublicinterest.org/wp-content/uploads/ITPI_PrivatizingVAMedicaid_March2018.pdf

¹¹ Bleeding Heartland, Aug. 28, 2018. <https://www.bleedingheartland.com/2018/08/28/former-medicaid-carrier-owes-millions-unpaid-claims/>. Des Moines Register, Aug. 30, 2018. <https://www.desmoinesregister.com/story/news/investigations/2018/08/30/iowa-privatized-medicaid-company-amerihealth-caritas-thousands-unpaid-medical-bills-broadlawns/1137484002/>

¹² In the Public Interest, "How Privatization Increases Inequality." September 2016. https://www.inthepublicinterest.org/wp-content/uploads/InthePublicInterest_InequalityReport_Sept2016.pdf

¹³ Des Moines Register, "Returning Medicaid to state control does not take 'years'" June 2018. <https://www.desmoinesregister.com/story/opinion/editorials/2018/06/07/returning-medicaid-state-management-not-take-years/673115002/>