

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
1905(a) of the Act	

This explains the State of Iowa's methodology for determining the cost-effectiveness of paying health insurance premiums for employer sponsored health insurance, individual, or COBRA policies. Member enrollment in employer sponsored health insurance, individual, or COBRA policies is voluntary.

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

A health insurance plan shall be considered cost-effective when the amount that the Medicaid agency would pay in total for all premium, cost sharing, benefit wrap obligations under a health plan, plus an amount for administrative costs, is likely to be less than the amount paid for an equivalent set of Medicaid services.

When determining cost effectiveness of a health insurance plan the agency shall consider the following:

1. The estimated cost to Medicaid for the member's cost sharing including employee premium contributions and surcharges, deductible, coinsurance, out-of-pocket maximum, copayments, and cost sharing wrap. No cost paid by an employer or other plan sponsor shall be considered in the cost-effectiveness determination.
2. Cost of benefits that are not in the private insurance plans, provided on a Fee-for-Service basis that would otherwise be included in the Medicaid state plan, (i.e. wrap benefits).
3. Administration cost.
4. The average per member cost of services to the Medicaid agency. This is the managed care capitation payment that varies based on the eligible member's sex, age, and eligibility aid type.

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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State/Territory: IOWA

RESERVED

TN No. MS-17-021

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