

HOUSE REPUBLICAN STAFF ANALYSIS

Bill:	House File 685	House HHS: PASSED 2/23/23 (14-7)
Committee:	Health and Human Services	House Ways & Means: PASSED 3/21/23 (24-0)
Floor Manager:	Rep. Shannon Lundgren	House Floor:
Date:	April 11, 2023	Senate Floor:
Staff:	Natalie Ginty (5-2063)	Governor:

Medicaid Lien and MCO Tax

- This bill comes from the Iowa Department of Health and Human Services to update Iowa's Medicaid Lien Recovery statute to be in compliance with federal law, and recent United States Supreme Court precedent. The bill allows Iowa Medicaid to recover from both past and future medical expenses awarded from tort claims, and clearly defines the state's rights to recover against third parties for medical claims of minors.
- This bill also establishes a Medicaid managed care taxation of premiums to align the MCOs with other insurance carrier requirements. The collection of this assessment will provide additional federal match funds to the state Medicaid program. DHHS estimates that this provision will provide \$155.8 million additional to the Iowa Medicaid appropriation in FY2025 and \$103.9 million annually after that.

Section by Section Analysis

Division I – Medicaid Program Third-Party Recovery

Section 1 (Iowa Code 249A.37)

Strikes the current code section and replaces it with the following. Defines "Medicaid payor", "recipient", "third party", and "third-party benefits".

Prohibits third-parties that are liable to pay part of the expenditures for Medicaid from violating this code section or they cannot do business in the state.

Requires health insurers to enter into a health insurance data match program with DHHS to compare their insureds names with those applying for Medicaid.

Requires third-parties to do all of the following:

- Cooperate with the Medicaid payor in identifying Medicaid members for whom third-party benefits are available
- Accept the Medicaid payor's rights of recovery and assignment for payments made by Medicaid
- Accept prior authorizations from Medicaid (as long as not a Medicare plan)
- Inquiry responses to Medicaid on a health service within the last three years are due in 60 days.
- Pay or deny a claim from Medicaid within 90 days
- If within 3 years of the health care provided and six years after Medicaid provides payment, the third party cannot deny on the basis of date of submission, the format of the claim, failure to present proper documentation or prior authorization.

Allows DHHS to write rules governing the exchange of information.

Section 2 (Iowa Code 249A.54)

Strikes the current code section and replaces it with the following.

Medicaid is the payor of last resort for medical services to its members. All other sources of payment for medical services are primary relative to Medicaid. If benefits of a third-party are discovered or becomes available after Medicaid pays, it is the intent of the general assembly that the Medicaid payor be repaid in full and prior to any other person, program, or entity.

Defines "collateral", "covered injury or illness", "Medicaid payor", "Medical service", "payment", "proceeds", "recipient", "recipient's agent", "third party", and "third-party benefits".

Allows MCOs to act as Medicaid payors, and DHHS to enforce the MCOs exercise their rights under this section or the Iowa Medicaid Program will.

Medicaid payors must seek reimbursement for 3rd party benefits to the full amount, but not in excess of the amount of medical assistance provided by Medicaid.

Medicaid members must notify Medicaid within 30 days following discovery that there are potential 3rd party benefits.

Medicaid is automatically subrogated to any rights of the Medicaid member or legally liable relative as to 3rd party benefits, and recovery cannot be reduced from the full recovery.

Medicaid is entitled to and has an automatic lien upon the collateral for the full amount of medical assistance provided by Medicaid on behalf of the member for medical services furnished as a result of any covered injury or illness for which a third party is or may be liable. Medicaid must also be involved if there is a release or satisfaction of any cause of action. The lien exists for 7 years, and can be extended another 7 years if rerecorded.

Requires Medicaid members to cooperate with recovery in establishing paternity and support of a child born out of wedlock. Allows Medicaid to waive this requirement for good cause.

Establishes actions in tort and how the recovery amount is distributed.

Division II – Medicaid Managed Care Organization Taxation of Premiums

Section 3 – New Section (Iowa Code 249A.13)

Establishes a Medicaid managed care organization premiums fund with the state treasurer under DHHS. Department of revenue shall deposit taxes on premiums from Section 4 of the bill in the fund. The monies in the fund are appropriate to DHHS for the purposes of Medicaid. The money in the fund do not revert at the end of the fiscal year, and interest remains with the fund.

Section 4 – New Section (Iowa Code 432.1A)

Establishes a 2.1% of premium tax on Iowa's Medicaid managed care companies, with part being pre-paid every June. Requires rules from IID and DOR.

Section 5 (Iowa Code 514B.31)

Provides what is not taxable for an HMO in their first five years of existence in Iowa, and then what is taxable after those five years.