

**AN EXAMINATION OF
THE IOWA MEDICAL ASSISTANCE DISPROPORTIONATE
SHARE HOSPITAL PAYMENTS PROGRAM
ADMINISTERED BY THE IOWA
DEPARTMENT OF HUMAN SERVICES
FOR THE YEAR ENDED JUNE 30, 2008**

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Independent Accountant's Report

To Charles M. Palmer, Director
of the Iowa Department of Human Services:

We have examined the Iowa Medical Assistance Disproportionate Share Hospital Payments Program (the Program) and the accompanying schedule identified as Schedule 1 for the Iowa Department of Human Services (Department) for the year ended June 30, 2008. The Iowa Department of Human Service's management is responsible for complying with the six verifications required by the Code of Federal Regulations - 42 CFR, Parts 447 and 455. Our responsibility is to express an opinion on the Program's six verifications based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Program and other required information and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion.

Our examination disclosed two findings which are identified following the listing of required verifications.

In our opinion, except for the findings noted in the preceding paragraph, the Iowa Medical Assistance Disproportionate Share Hospital Payments Program and the accompanying schedule referred to above are in compliance with the six verifications as required by the Code of Federal Regulations - 42 CFR, Parts 447 and 455, in all material respects, for the year ended June 30, 2008.

This report, a public record by law, is intended solely for the information and use of the Iowa Department of Human Services and other parties to whom the Iowa Department of Human Services may report. This report is not intended to be and should not be used by anyone other than these specified parties.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 14, 2011

**Iowa Medical Assistance Disproportionate
Share Hospital Payments Program**

Required Verifications

We evaluated the Iowa Medical Assistance Disproportionate Share Hospital (DSH) Payments Program to determine compliance with each of the following verifications:

- (1) Each hospital qualifying for a DSH payment in the State is allowed to retain the payment so it is available to offset the hospital's uncompensated care costs for furnishing inpatient hospital and outpatient hospital services during the Medicaid State plan rate year to Medicaid eligible individuals and individuals with no source of third party coverage for the services in order to reflect the total amount of claimed DSH expenditures.
- (2) DSH payments made to each qualifying hospital comply with the hospital-specific DSH payment limit and are measured against actual uncompensated care cost in the same audited Medicaid State plan rate year.
- (3) Only uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no third party coverage for the inpatient and outpatient hospital services they received are eligible for inclusion in the calculation of the hospital-specific DSH payment limit.
- (4) For purposes of the hospital-specific DSH payment limit calculation, any Medicaid payments made to a disproportionate share hospital which are in excess of the Medicaid incurred costs of such services are applied against the uncompensated care costs of furnishing inpatient hospital and outpatient hospital services to individuals with no source of third party coverage for such services.
- (5) Information and records of all of its inpatient and outpatient hospital service costs under the Medicaid program, claimed expenditures under the Medicaid program, uninsured inpatient and outpatient hospital service costs in determining payment adjustments and any payments made on behalf of the uninsured from payment adjustments have been separately documented and retained by the State.
- (6) The information in (5) above includes a description of the methodology for calculating each hospital's DSH payment limit. The disproportionate share data shown in the accompanying schedule describes how the Iowa Department of Human Services defines incurred inpatient hospital and outpatient hospital costs for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals and individuals with no source of third party coverage for the inpatient hospital and outpatient hospital services they received.

Findings and Recommendations

- (1) Dual Eligibility – Section 1923(g) of the Social Security Act defines hospital-specific limits on Federal financial participation (FFP) for Medicaid DSH payments. Under the hospital-specific limits, a hospital's DSH payment must not exceed the costs incurred by the hospital in furnishing services during the year to Medicaid and uninsured patients, less payments received for those patients. There is no exclusion in section 1923(g)(1) for costs for, and payments made, on behalf of individuals dually eligible for Medicare and Medicaid. Hospitals which include dually-eligible days to determine DSH qualification must also include the costs attributable to dual eligibles when calculating the uncompensated costs of serving Medicaid eligible individuals. Hospitals must also take into account payments made on behalf of the individuals, including all Medicare and Medicaid payments made on behalf of dual eligibles.

Based on our review of Iowa DSH hospitals, payments for services for individuals dually eligible for Medicaid and Medicare were not separately identified. However, according to cost report data, dual eligibles were not included in the DSH hospital's Medicaid cost population. These uncompensated care costs were also not included in determining DSH qualification. The effect, if any, of including the uncompensated care costs for the dually eligible population in the calculation of eligible uncompensated care costs could not be determined.

Recommendation - The Department should not exclude costs for, and payments made, on behalf of individuals dually eligible for Medicare and Medicaid in calculating hospital-specific limits for Medicaid DSH payments. In addition, the Department should ensure inpatient days for patients dually eligible for Medicare and Medicaid are included when calculating the MIUR percentage in determining DSH qualification.

Response - The Department's procedures were changed to add the dual eligible costs into the hospital-specific limits for DSH calculations. The reporting and collection of this information is required on the DSH survey completed by hospitals. Additionally, Iowa Medicaid has begun a new project, which will result in obtaining Medicare paid claims data for dual eligible individuals beginning in calendar year 2012 for up to five years' historical claims. This Medicare payment information will be incorporated into the calculations for the hospital-specific limits.

Conclusion - Response accepted.

- (2) Computer Match - Uninsured Costs - A computer match of claim data was performed for recipients of medical care classified as both Medicaid eligible and uninsured. For fiscal year 2008, we reviewed 25 recipients of medical care from Broadlawns Medical Center who were included in both the Medicaid population and the uninsured population. Of the 25 recipients tested, 4 recipients were classified as both Medicaid eligible and uninsured for the same month of service. Per hospital officials, this was primarily due to individuals becoming eligible for Medicaid after initially being classified as uninsured. As a result, total eligible uncompensated care costs could not be verified for this hospital.

Recommendation - The Department should implement procedures to ensure uninsured, uncompensated care costs used for the hospital-specific DSH payment limit do not contain costs for Medicaid eligible recipients.

Response - The Department's Medicaid Provider Cost Audit and Rate Setting (PCA) contractor conducts an annual DSH survey. Beginning with the 2012 survey, detailed information will be gathered regarding uncompensated care costs. (See attached DSH Survey form - Appendix A) Hospitals will be required to provide specific patient information, including patient identifier, dates of service, charges, number of days of care and payments. Staff of the PCA unit will make a determination whether uncompensated care is being correctly reported. Regarding Broadlawns Medical Center (BMC) specifically, a letter was sent to them by the Iowa Medicaid Director, Jennifer Vermeer, alerting BMC to the issue found on the 2008 DSH audit and explaining the results of future audits, if their reporting is not accurate. (See attached letter "Broadlawns uncomp care costs letter" - Appendix B)

Conclusion - Response accepted.

**Iowa Medical Assistance Disproportionate
Share Hospital Payments Program**

**Iowa Medical Assistance Disproportionate
Share Hospital Payments Program**

Medicaid State Plan Rate Year ended June 30, 2008

Definition of Uncompensated Care: The Iowa Department of Human Services, for the purpose of the Medical Assistance Disproportionate Share Hospital Payments Program, defines Medicaid uncompensated care as the cost of services to Medicaid patients, less the amount paid by the State under the non-disproportionate share hospital payment provisions of the State Plan. Uninsured uncompensated care is defined as the cost of services to uninsured patients (those who have no health insurance or source of third party payments) less the amount of payments made by these patients.

A	B	C	D	E	F	G	H
Hospital Name	State Estimated Hospital- Specific DSH Limit	Medicaid IP Utilization Rate	Low-Income Utilization Rate	State-Defined DSH Eligibility Statistic	Regular IP/OP Medicaid FFS Rate Payments	IP/OP Medicaid MCO Payments	Supplemental/ Enhanced IP/OP Medicaid Payments
St. Anthony Regional Hospital (0600056)	\$ 1,281,502	8.15%	7.34%	N/A	\$ 1,259,549	743,754	-
Keokuk Area Hospital (0600080)	1,727,394	24.02%	21.17%	N/A	2,831,595	1,340,639	-
St. Luke's Regional Medical Center (0600114)	3,924,816	32.42%	15.96%	N/A	10,555,569	1,610,209	551,892
Alegent Health - Mercy Hospital (0600288)	7,866,682	35.63%	22.35%	N/A	9,456,677	5,106,522	-
University of Iowa Hospitals and Clinics (0600585)	22,690,127	32.20%	19.61%	EDSH	131,205,055	3,959,505	17,188,868
Iowa Methodist Medical Center - Blank Children's Hospital(0600825)	6,518,367	9.63%	6.37%	Children's Hospital	24,236,822	914	-
Ottumwa Regional Health Center (0600890)	5,592,388	21.32%	13.47%	N/A	5,603,648	924,579	-
Broadlawns Medical Center (0601013)	22,994,896	69.37%	90.99%	EDSH	21,358,918	1,334,338	1,261,440

Institute for Mental Health

Cherokee MHI - IowaCare (0640029 & 2640029)	4,759,966	N/A	N/A	EDSH	5,000,436	585,199	1,321,275
Independence MHI - IowaCare (0640037 & 2640037)	5,787,311	N/A	N/A	EDSH	5,261,064	629,755	2,172,599
Mt. Pleasant MHI - IowaCare (0640045 & 2640045)	5,009,096	N/A	N/A	EDSH	409,968	92,147	1,413,358
Clarinda MHI - IowaCare (0640052 & 2640052)	1,336,796	N/A	N/A	EDSH	674,362	45,961	502,953

**Out-of-State DSH Hospitals (amounts represent
Iowa and Nebraska)**

Children's Memorial Hospital, Omaha, NE (0902148)	^ 10,023,378	41.48%	20.80%	N/A	33,144,796	5,111,924	-
St. Joseph Hospital, Omaha, NE (0992917)	^ 11,252,528	37.46%	22.10%	N/A	35,250,624	5,721,798	-

N/A - not applicable

EDSH - Hospital qualifies for Enhanced Disproportionate Share payments. To qualify, a hospital must meet one of the following:

- an Iowa state-owned hospital with more than 500 beds, having 8 or more separate and distinct residency specialty or subspecialty programs recognized by the American College of Graduate Medical Education
- a non-state government-owned acute care teaching hospital located in a county with a population over 350,000
- an Iowa state-owned hospital for persons with mental illness

% - As explained in Finding (2), certain uninsured, uncompensated care costs are also included in Medicaid uncompensated care costs. The effect on the calculation of eligible uncompensated care costs could not be determined.

^ - Information reported in columns B - I and column Q was provided by Nebraska DSH audit staff.

* - Per Federal Register 42 CFR, Part 447.299(18), reporting this information is not required for out-of-state hospitals.

I	J	K	L	M	N	O	P	Q
Total Medicaid IP/OP Payments	Total Cost of Care-Medicaid IP/OP Services	Total Medicaid Uncompensated Care Cost	Total IP/OP Indigent Care/Self-Pay Revenues	Total Applicable Section 1011 Payments	Total IP/OP Uninsured Cost of Care	Total Uninsured Uncompensated Care Cost	Total Eligible Uncompensated Care Costs	Total DSH Payments Received
2,003,303	3,039,354	1,036,051	109,489	-	354,940	245,451	1,281,502	35,394
4,172,234	4,186,631	14,397	357,818	-	2,070,815	1,712,997	1,727,394	130,390
12,717,670	14,615,936	1,898,266	392,486	-	2,419,036	2,026,550	3,924,816	255,247
14,563,199	16,978,055	2,414,856	479,811	-	5,931,637	5,451,826	7,866,682	540,542
152,353,428	165,252,545	12,899,117	1,798,050	-	11,589,060	9,791,010	22,690,127	11,351,049
24,237,736	30,603,940	6,366,204	204,585	-	356,748	152,163	6,518,367	1,418,542
6,528,227	8,491,438	1,963,211	329,007	-	3,958,184	3,629,177	5,592,388	153,495
23,954,696	33,345,836	9,391,140	855,490	-	14,459,246	13,603,756	22,994,896	22,400,719
6,906,910	6,359,531	(547,379)	-	-	5,307,345	5,307,345	4,759,966	4,097,989
8,063,418	6,213,303	(1,850,115)	-	-	7,637,426	7,637,426	5,787,311	3,793,596
1,915,473	306,445	(1,609,028)	-	-	6,618,124	6,618,124	5,009,096	4,625,038
1,223,276	619,752	(603,524)	-	-	1,940,320	1,940,320	1,336,796	1,302,943
38,256,720	*	*	*	*	*	*	*	3,781,198
40,972,422	*	*	*	*	*	*	*	548,951

Appendices

An Examination of the Iowa Medical Assistance Disproportionate
Share Hospital Payments Program

DSH Survey Form

State of
Disproportionate Share Hospital (DSH) Audit Survey
For State DSH Year

Summary of Uninsured Patient Services During Cost Report Year

Patient Identifier		Date(s) of Service		Service Indicator	Revenue Code	Total Charges for Services Provided	Routine Days of Care	Total Payments for Services Provided (Accrual Basis) **
Patient Identifier Code	Name	From	To					

Report will be sorted on service indicator and subtotals provided for each category that will agree to the provider survey. Line item charges will agree to billings.

- Inpatient Hospital
- Outpatient Hospital
- Physician I/P & O/P Hospital
- Hospital-Based Pharmacy *
- Hospital-Based RHC
- Hospital-Based FQHC

* - For services not incidental to inpatient or outpatient hospital services.

** These payments are not reported in the survey. These amounts are used for audit purposes only.

Please submit the above data in an electronic file included with this survey document. The electronic file must be submitted in Excel (.xls or .xlsx) or Access (.mdb).

An Examination of the Iowa Medical Assistance Disproportionate
Share Hospital Payments Program

Broadlawns Uncompensated Care Costs Letter



Iowa Department of Human Services

Terry E. Branstad
Governor

Kim Reynolds
Lt. Governor

Charles M. Palmer
Director

November 21, 2011

Broadlawns Medical Center
Attn: Jody Jenner
1801 Hickman Road
Des Moines, IA 50314

Re: Reporting Uncompensated Care / Annual DSH Audit

Dear Mr. Jenner: *Jody* —

The federal Medicare Drug, Improvement and Modernization Act of 2003 (MMA) requires that State Medicaid Agencies arrange for an independently certified audit of its Disproportionate Share Hospital (DSH) payment program each year. Iowa's Auditor of State (AOS) performs this audit for the Iowa Medicaid program.

The AOS recently completed the State Fiscal Year (SFY) 2008 audit for payments made to DSH-eligible hospitals. As a part of their audit process, the Auditor verified uncompensated care costs at several DSH hospitals, including Broadlawns Medical Center (BMC). This resulted in a finding that will be noted in the audit report to the Centers for Medicare and Medicaid Services (CMS) that is specific to BMC and none of the other DSH hospitals:

In determining eligibility for DSH payments via the hospital-specific limit calculations, uncompensated care costs for both Medicaid members and uninsured individuals are taken into account. For SFY 2008, the AOS reviewed 25 paid Medicaid claims that were also classified as uninsured in BMC's accounting system. Of the 25 claims tested, 4 claims, or 16%, were determined to be included in both the Medicaid and the uninsured populations. Officials in BMC's Accounting office explained that this was primarily due to individuals becoming eligible for Medicaid after initially being classified as uninsured, and their record did not reflect the change in classification. As a result, the AOS was not able to verify total eligible uncompensated care costs.

Costs and payments for Medicaid and the uninsured cannot be double-counted. The costs and payments for an uninsured individual must be accounted for separately from the costs and payments for an individual who is Medicaid eligible. If an uninsured individual obtains Medicaid coverage during the middle of your accounting period, or vice versa, then the costs and payments associated with the time period that the individual was uninsured cannot be, for purposes of determining uncompensated costs, included in both categories.

The DSH payments made by the Iowa Medicaid program to BMC annually exceed \$20 million dollars and its hospital-specific limit has generally been (only) a few thousand dollars below

An Examination of the Iowa Medical Assistance Disproportionate
Share Hospital Payments Program

Broadlawns Uncompensated Care Costs Letter

the (hospital-specific) limit. Beginning with the DSH audit that will take place during calendar year 2013 for DSH payments made during SFY 2010, States are required to recoup DSH payments made that are in excess of a provider's hospital-specific limit. If, at that time, BMC is not able to accurately verify its uncompensated care costs, excess DSH payments will be required to be re-paid to the Iowa Medicaid program.

Based on these findings, we recommend BMC review its policies and procedures to ensure it has adequate checks and balances in place. This issue will continue to be reviewed every year as a part of the annual DSH audit.

If you have any questions about the annual Medicaid DSH audit, feel free to contact Patti Ernst-Becker at (515) 256-4632.

Sincerely,



Jennifer H. Vermeer
Medicaid Director

Cc: Patti Ernst-Becker, DSH Audit Coordinator
Suzanne Dahlstrom, AOS
Mike Fields, AOS