

**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, 2016**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
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December 30, 2019

Iowa Department of Human Services
Des Moines, Iowa

To the Members of the Iowa Department of Human Services:

I am pleased to submit to you the examination report for the Iowa Department of Human Services for the year ended June 30, 2016. The examination was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants.

I appreciate the cooperation and courtesy extended by the officials and employees of the Iowa Department of Human Services throughout the examination. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Independent Auditor of State's Report		3
Required Verifications		5
Findings and Recommendations		5-7
Other Required Information:	<u>Schedule</u>	
Medicaid State Plan Rate Year Ended June 30, 2016	1	8-9



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Auditor of State's Independent Report

To Kelly K. Garcia, Director
of the Iowa Department of Human Services:

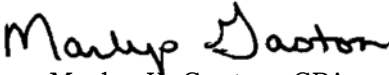
We have examined the Iowa Medical Assistance Disproportionate Share Hospital Payments Program (the Program) and the accompanying schedule identified as Schedule 1 for the Iowa Department of Human Services (Department) for the year ended June 30, 2016. The Department's management is responsible for complying 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. Those standards require we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the criteria, in all material respects. Our examination 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 the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination disclosed three 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, in all material respects, with the six verifications required by the Code of Federal Regulations – 42 CFR, Parts 447 and 455, for the year ended June 30, 2016.

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.


Marlys K. Gaston, CPA
Deputy Auditor of State

December 30, 2019

**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 hospital 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 hospital and outpatient hospital service costs under the Medicaid program, claimed expenditures under the Medicaid program, uninsured inpatient hospital 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) Hospital-Specific Limit Overpayment – The calculation of the DSH hospital-specific limit for Broadlawns Medical Center identified a \$1,362,692 overpayment of DSH funds, as identified in Schedule 1.

Recommendation – The Department should implement procedures to ensure disproportionate share amounts paid to hospitals do not exceed the total eligible uncompensated care costs of those hospitals. The Department should recoup the overpayment from Broadlawns Medical Center and repay the excess funds received.

Response – The Department will recoup from Broadlawns Medical Center the DSH funding amount that exceeds the HSL calculation after the State fiscal year 2016 report is finalized.

Conclusion – Response accepted.

- (2) Eligibility – Under the Iowa Medicaid State Plan, Attachment 4.19-A, page 26c, Methods and Standards for Establishing Payment Rates for Inpatient Hospital Care, subsection j, Qualifying for disproportionate share as a children’s hospital, “Licensed hospitals qualify for disproportionate share as a children’s hospital if they provide services predominately to children under 18 years of age or include a distinct area or areas providing services predominately to children under 18 years of age, are a member of the National Association of Children’s Hospitals and Related Institutions, and have Medicaid utilization and low-income utilization rates for children under 18 years of age at the time of admission in all distinct areas of the hospital where services are provided predominately to children under 18 years of age of one percent or greater.”

Based on our review, Iowa Medicaid Enterprise identified Mercy Children’s Hospital and Clinics at Mercy Medical Center as a children’s hospital in determining eligibility to receive Disproportionate Share funds in state fiscal year 2015. Mercy Children’s Hospital and Clinics at Mercy Medical Center is a member of the National Association of Children’s Hospitals and Related Institutions and the Medicaid utilization rate for children under 18 years of age at the time of admission exceeded one percent. However, Iowa Medicaid Enterprise did not determine if the low-income utilization rate for children under 18 years of age at the time of admission was one percent or greater.

Recommendation – The Department should determine if Mercy Children’s Hospital and Clinics at Mercy Medical Center met the low-income eligibility rate for children under 18 years of age at the time of admission, as required by the Iowa Medicaid State Plan.

Response – The Department will begin calculating the Low Income Utilization Rate (LIUR) for hospitals qualifying as a children’s hospital to ensure it is one percent or greater. Since the hospital qualified under the Medicaid Inpatient Utilization Rate (MIUR) calculation it was assumed the LIUR would be one percent or greater.

Conclusion – Response accepted.

- (3) Computer Match – Uninsured Costs – A computer match of claims data was performed for recipients of medical care classified as both Medicaid eligible and uninsured. For fiscal year 2016, we reviewed 25 recipients of medical care from Broadlawns Medical Center, 25 recipients of medical care from Iowa Methodist Medical Center, 25 recipients of medical care from the University of Iowa Hospitals and Clinics and 25 recipients of medical care from Mercy Medical Center who were included in both the Medicaid population and the uninsured population. The following were noted:

- a. Of the 25 recipients reviewed for the University of Iowa Hospitals and Clinics, three recipients were classified as both Medicaid eligible and uninsured for the same month of service.
- b. Of the 25 recipients reviewed for Mercy Medical Center, one recipient was 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 these hospitals.

In addition, we reviewed 20 uninsured payment claims each from Broadlawns Medical Center, Iowa Methodist Medical Center, the University of Iowa Hospitals and Clinics and Mercy Medical Center to determine patients did not have insurance or were not eligible for insurance at the time medical services were provided. Of the 20 uninsured payment claims reviewed for the University of Iowa Hospitals and Clinics, two claims were for individuals who were eligible for Medicaid coverage at the time of service.

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 Iowa Medicaid Enterprise will make a determination whether uncompensated care is being correctly reported on the submitted DSH survey and supporting documentation.

Conclusion – Response accepted.

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

Medicaid State Plan Rate Year Ended June 30, 2016

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	I
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	Total Medicaid IP/OP Payments
Keokuk Area Hospital	\$1,359,791	27.25%	24.42%	N/A	\$3,422,893	404,789	-	3,827,682
St. Luke's Regional Medical Center	5,868,829	48.76%	30.62%	N/A	24,664,919	17,358,981	416,869	42,440,769
Unity HealthCare	1,350,788	40.15%	26.54%	N/A	6,784,787	3,897,563	-	10,682,350
Alegent Health - Mercy Hospital	8,892,504	53.06%	41.90%	N/A	18,292,728	19,309,185	-	37,601,913
University of Iowa Hospitals and Clinics	60,058,839	43.92%	18.69%	EDSH	185,500,425	53,113,190	23,559,186	262,172,801
Iowa Methodist Medical Center	6,589,728	21.67%	17.06%	Children's Hospital	65,608,886	26,040,826	1,900,456	93,550,168
Broadlawns Medical Center	10,811,653	64.72%	64.49%	EDSH	32,426,933	14,219,754	1,331,692	47,978,379
Mercy Medical Center	8,622,991	35.60%	22.87%	Children's Hospital	103,276,786	28,975,438	1,002,330	133,254,554

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 (1), total DSH payments received exceeded the State Estimated Hospital-Specific DSH Limit.

% - As explained in Finding (3), 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.

See accompanying Auditor of State's independent report.

J	K	L	M	N	O	P	Q	R	S	T
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	Medicaid Provider Number	Medicare Provider Number	Total Hospital Cost
4,709,503	881,821	155,928	-	633,898	477,970	1,359,791	29,997	600080	160008	\$18,834,622
45,951,532	3,510,763	560,894	-	2,918,960	2,358,066	5,868,829	322,108	600114	160146	127,634,712
11,293,529	611,179	101,250	-	840,859	739,609	1,350,788	53,317	600155	160013	34,833,149
43,494,053	5,892,140	170,912	-	3,171,276	3,000,364	8,892,504	127,498	600288	160028	87,110,642
317,726,148	55,553,347	2,545,372	-	7,050,864	4,505,492	60,058,839	32,067,411	600585	160058	1,066,518,098 %
98,699,721	5,149,553	1,012,365	-	2,452,540	1,440,175	6,589,728	1,970,741	600825	160082	421,722,298
55,385,531	7,407,152	737,078	-	4,141,579	3,404,501	10,811,653	12,174,345	601013	160101	84,184,689 &
139,408,751	6,154,197	836,188	-	3,304,982	2,468,794	8,622,991	1,654,350	600833	160083	553,581,721 %