

**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, 2017**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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Rob Sand
Auditor of State

December 22, 2020

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, 2017. 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

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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, 2017. 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 one finding which is identified following the listing of required verifications.

In our opinion, except for the finding 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, 2017.

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.

A handwritten signature in black ink that reads "Marlys K. Gaston".

Marlys K. Gaston, CPA
Deputy Auditor of State

December 22, 2020

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.

Finding and Recommendation

- (1) 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 2017, 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 Mercy Medical Center, four recipients were classified as both Medicaid eligible and uninsured for the same month of service.
 - b. Of the 25 recipients reviewed for Broadlawns 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, 2017

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	\$ 2,016,256	31.96%	24.92%	N/A	\$ 870,538	2,930,621	-	3,801,159
St. Luke's Regional Medical Center	4,973,768	39.09%	25.62%	N/A	7,346,932	27,419,474	411,551	35,177,957
Unity HealthCare	530,120	27.57%	19.52%	N/A	1,012,187	6,616,922	-	7,629,109
Alegent Health - Mercy Hospital	9,749,544	13.57%	33.87%	N/A	3,468,371	23,421,723	-	26,890,094
University of Iowa Hospitals and Clinics	61,974,783	44.39%	13.74%	EDSH	33,292,610	142,214,078	26,410,487	201,917,175
Iowa Methodist Medical Center	8,256,776	15.43%	12.12%	Children's Hospital	11,905,130	51,743,478	1,825,980	65,474,588
Broadlawns Medical Center	13,324,365	62.54%	71.98%	EDSH	3,239,154	43,170,191	1,626,530	48,035,875
Mercy Medical Center	9,489,864	24.65%	18.24%	Children's Hospital	19,893,071	85,679,256	1,090,672	106,662,999
St. Luke's Hospital	1,692,474	30.60%	14.49%	N/A	7,791,500	36,540,890	243,130	44,575,520
Trinity Regional Medical Center	4,311,102	29.02%	17.11%	N/A	1,735,110	12,902,321	25,495	14,662,926
Iowa Lutheran Hospital	5,453,220	47.31%	24.62%	N/A	4,356,534	24,455,514	195,000	29,007,048

N/A - not applicable

IP - Inpatient

OP - Outpatient

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 (1), 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.

Schedule 1

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
5,294,381	1,493,222	122,110	-	645,144	523,034	2,016,256	267,349	600,080	160,008	\$ 18,621,543
37,735,879	2,557,922	481,609	-	2,897,455	2,415,846	4,973,768	256,932	600,114	160,146	129,588,714
7,478,474	(150,635)	113,556	-	794,311	680,755	530,120	42,270	600,155	160,013	33,202,707
33,615,078	6,724,984	178,301	-	3,202,861	3,024,560	9,749,544	159,140	600,288	160,028	88,158,766
258,835,896	56,918,721	2,793,601	-	7,849,663	5,056,062	61,974,783	28,999,984	600,585	160,058	1,144,355,565
71,945,612	6,471,024	941,387	-	2,727,139	1,785,752	8,256,776	1,218,703	600,825	160,082	439,272,545
57,255,932	9,220,057	731,199	-	4,835,507	4,104,308	13,324,365	7,172,342	601,013	160,101	87,827,669 %
112,842,473	6,179,474	1,917,020	-	5,227,410	3,310,390	9,489,864	2,452,973	600,833	160,083	575,540,036 %
45,277,277	701,757	777,141	-	1,767,858	990,717	1,692,474	305,226	600,452	160,045	263,205,768
18,524,300	3,861,374	355,669	-	805,397	449,728	4,311,102	99,301	600,163	160,016	78,220,414
32,928,566	3,921,518	161,931	-	1,693,633	1,531,702	5,453,220	129,892	600,247	160,024	116,415,783