

**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, 2018**



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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Rob Sand  
Auditor of State

December 21, 2021

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, 2018. 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 that reads "Rob Sand". The signature is stylized and cursive.

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:

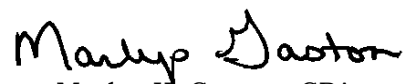
We have examined the Iowa Medical Assistance Disproportionate Share Hospital Payments Program (the Program) and the accompanying schedule identified as Schedule 1 for the Iowa Department of Human Services (Department) for the year ended June 30, 2018. The Department's management is responsible for complying 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 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, 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, 2018.

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 21, 2021

## **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 (HSL) for Broadlawns Medical Center identified a \$2,182,398 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 2018 report is finalized.

Conclusion – Response accepted.

(2) 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 2018, 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, one recipient was classified as both Medicaid eligible and uninsured for the same month of service.
- b. Of the 25 recipients reviewed for University of Iowa Hospitals and Clinics, two 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 these hospitals.

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 will review that uncompensated care is 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, 2018

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	\$ 3,167,577	36.25%	28.97%	N/A	\$ 733,831	2,710,236	-	3,444,067
St. Luke's Regional Medical Center	2,487,630	41.12%	25.92%	N/A	7,287,583	28,620,880	411,550	36,320,013
Unity HealthCare	490,324	31.08%	21.86%	N/A	879,070	7,817,059	-	8,696,129
Alegent Health - Mercy Hospital	6,736,075	12.30%	32.87%	N/A	3,291,234	24,047,437	-	27,338,671
University of Iowa Hospitals and Clinics	83,291,286	34.28%	13.32%	EDSH	36,163,155	150,852,964	16,510,487	203,526,606
Iowa Methodist Medical Center	10,138,305	30.33%	13.47%	Children's Hospital	11,602,280	63,576,772	1,825,980	77,005,032
Broadlawns Medical Center	11,122,840	72.39%	75.78%	EDSH	5,876,432	45,657,188	1,626,530	53,160,150
Mercy Medical Center	16,464,783	29.04%	19.63%	Children's Hospital	20,020,580	91,271,711	1,090,672	112,382,963
St. Luke's Hospital	3,026,434	35.20%	15.88%	N/A	8,591,367	42,375,438	243,130	51,209,935
Trinity Regional Medical Center	4,830,687	32.62%	19.00%	N/A	2,018,560	16,076,935	25,495	18,120,990
Iowa Lutheran Hospital	5,499,530	53.19%	27.12%	N/A	4,834,961	29,347,090	195,000	34,377,051

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 (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.

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
5,929,792	2,485,725	128,585	-	810,437	681,852	3,167,577	9,417	600080	160008	\$ 19,198,389
36,469,984	149,971	442,114	-	2,779,773	2,337,659	2,487,630	256,185	600114	160146	127,020,140
8,457,234	(238,895)	148,870	-	878,089	729,219	490,324	42,270	600155	160013	32,671,150
31,006,763	3,668,092	166,566	-	3,234,549	3,067,983	6,736,075	159,140	600288	160028	82,917,296
281,830,024	78,303,418	3,819,059	-	8,806,927	4,987,868	83,291,286	58,566,603	600585	160058	1,269,710,355 %
85,440,671	8,435,639	1,117,411	-	2,820,077	1,702,666	10,138,305	1,218,703	600825	160082	449,384,364
60,420,346	7,260,196	898,433	-	4,761,077	3,862,644	11,122,840	13,305,238	601013	160101	97,872,664 &
125,170,853	12,787,890	1,963,533	-	5,640,426	3,676,893	16,464,783	2,452,973	600833	160083	588,212,008 %
52,965,573	1,755,638	767,228	-	2,038,024	1,270,796	3,026,434	305,226	600452	160045	270,732,918
22,301,823	4,180,833	410,998	-	1,060,852	649,854	4,830,687	99,301	600163	160016	90,987,063
38,225,117	3,848,066	255,285	-	1,906,749	1,651,464	5,499,530	129,892	600247	160024	122,065,064