ISSUE REVIEW

Iowa Legislative Fiscal Bureau

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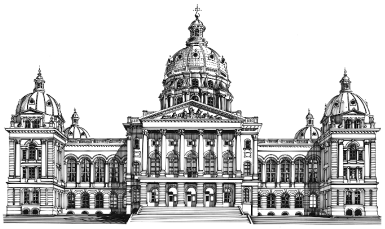

State Capitol
Des Moines, IA 50319
November 8, 2000

Indigent Patient Care Program at the University of Iowa Hospitals and Clinics

ISSUE

This ***Issue Review*** provides background and reviews certain issues regarding the Indigent Patient Care Program at the University of Iowa Hospitals and Clinics (SUIHC). This Program is sometimes referred to as the State Papers Program.

AFFECTED AGENCIES

University of Iowa Hospitals and Clinics
Department of Human Services

CODE AUTHORITY

Chapter 255, Code of Iowa
Section 262.28, Code of Iowa

BACKGROUND

The Indigent Patient Care Program at SUIHC provides medical care to indigent persons not eligible for the Medical Assistance (Medicaid) or Medicare Programs, and to relieve the financial burden of county and local governments for providing medical care to these persons. The Program also benefits the SUIHC by providing patients for education of medical students.

Much of the background information and many of the issues related to the Program can be categorized as follows:

- County Patient Quotas
- Medical Services and Charges
- Travel and Local Provision of Medical Services
- Funding Mechanism Related to Medicaid/Medicare (Disproportionate Share)

County Patient Quotas

Section 255.16, Code of Iowa, provides a patient quota formula for the Indigent Patient Care Program that is based on population according to the most recent census. However, the quota limit does not apply to obstetrical or orthopedic patients. Each county has a general assistance director that is responsible for determining which patients will be served under the quota system. **Attachment A** illustrates the quota for each county and utilization for FY 2000.

Medical Services and Charges

The SUIHC provides medical services to patients under the Indigent Patient Care Program and receives a State appropriation for these services, which equals $33.0 million for FY 2001. Section 262.28, Code of Iowa, allows one-twelfth of the State appropriation to be transferred to the SUIHC each month, regardless of patient charges. The SUIHC has consistently maintained that the cost to provide services to indigent patients far exceeds the State appropriation. However, the SUIHC's practice when calculating the total cost of medical services provided to indigent patients is to include the full cost of services, including physician fees, even though the physicians are salaried employees. This practice neglects to recognize that in the health care industry, typically the standard reimbursement rate paid by insurance providers is 70.0% to75.0% of actual charges. The Medical Assistance Program reimbursement rate is typically 60.0% to 70.0%.

Travel and Local Provision of Medical Services

Currently, all indigent patient care is provided at the SUIHC in Iowa City, except for some limited telemedicine applications. The SUIHC, through the State appropriation for the Indigent Patient Care Program, provides transportation from the patient's home to Iowa City. These transportation costs were approximately $418,000 in FY 1998 and $384,000 in FY 1999.

Cost to the State is not the only concern of providing indigent patient care only in Iowa City. Family and friends that wish to visit patients must also travel to Iowa City. Sending all indigent patients to Iowa City also ignores the capacity for medical care that exists in local hospitals and medical facilities.

During 1998, a Legislative Interim Committee was charged with examining the Indigent Patient Care Program, with an emphasis on the possibility of providing indigent patient care at alternative locations throughout the State. While the issue of providing medical care locally was considered by the Committee, no specific recommendations were made.

The SUIHC is resistant to decentralization of care for a number of reasons, some of which include:

- Effect on local providers. The SUIHC implies there would be a minimal impact to local hospitals because most cannot provide the level of care provided at Iowa City.
- Endorsement of the Program. All of the entities with the most involvement with the Program, such as the Iowa Medical Society and the Association of Iowa Hospitals and Health System, have endorsed having services provided at Iowa City.
- Cost of decentralization. Decentralization may increase administrative costs or result in loss of federal matching Medicaid funds. Increased costs could shift to local property taxes. Currently counties have control over referral of patients without cost concerns.
- Health education programs at the SUIHC may be disrupted if the patient base is decreased.
- Continuity of care would be disrupted if patients are initially treated locally and then transferred to Iowa City.

- Liability for operation of the Program currently resides solely with the SUIHC. If the Program were decentralized the liable party would be uncertain.

The General Assembly continues to have a concern about decentralizing indigent patient care. As a result, HF 2549 (FY 2001 Education Appropriations Act) and SF 464 (FY 2000 Education Appropriations Act) contained intent language requiring the SUIHC to use technology (telemedicine) to provide care to indigent patients in a manner that reduces travel to Iowa City. The SUIHC has attempted to increase use of telemedicine whenever possible.

Funding Mechanism Related to Medicaid/Medicare (Disproportionate Share)

There are two areas within the Medical Assistance budget where federal Medicaid funds are being directed to the State General Fund rather than being used to pay for services in the Medicaid Program that are tied to the indigent patient appropriation at the SUIHC. These are:

- *Supplemental Disproportionate Share - $4.4 million*. In 1983, Congress passed legislation requiring state Medicaid programs to make additional payments to hospitals serving "a disproportionate share of low income patients." States were required to develop formulas for determining the amount of the additional payment. Iowa's formula allows hospitals that have 25.0% of gross billing days provided to low income patients to qualify for the supplemental payments. Iowa's allotment, which must be matched by State funds, is $8.0 million. Iowa's formula provides for distribution of approximately $3.6 million in federal funds and $2.1 million of State matching funds to 15 hospitals. The remaining $4.4 million is referred to as "supplemental disproportionate share" and is certified by the SUIHC and historically has passed through to the State General Fund. However, in FY 2001, the funds will pass through directly to the Department of Human Services due to a language change in HF 2549 (FY 2001 Education Appropriations Act).
- *Supplemental Indirect Medical Education - $15.1 million*. The Medicaid Program reimburses teaching hospitals for a portion of expenses associated with medical education. The reimbursements can be for expenses directly attributable to education of residents, such as salaries, benefits, office space, and a portion of the cost of the facility. Or the reimbursements can be for indirect costs such as compensating for the inefficiencies of training providers and caring for greater numbers of uninsured patients. The requirements for payment of indirect supplemental education reimbursements is very specific and the SUIHC is the only Iowa hospital that qualifies. The federal share of this payment is $15.1 million and is certified by the SUIHC and has historically passed through to the State General Fund. However, in FY 2001, the funds will pass through directly to the Department of Human Services due to a language change in HF 2549 (FY 2001 Education Appropriations Act).

ALTERNATIVES

In an effort to improve and reduce the cost of the Indigent Patient Care Program, the General Assembly may wish to consider:

- Researching and/or encouraging provision of more medical services locally rather than having all patients travel to Iowa City. Local providers would receive reimbursement from the State appropriation either directly or through SUIHC. However, the SUIHC has indicated numerous concerns about decentralization of medical care under this Program. It should be noted that the SUIHC has a related system of clinics at which local service could be provided. Utilizing medical facilities locally has several advantages including:
    - Travel expenditures would be reduced so more funds would be available for patient treatment.
    - Patients could receive treatment closer to home resulting in less burden on visiting family and friends in terms of travel.
    - It would provide more utilization of local hospitals and medical facilities.

- Implementing a "managed care" policy for indigent patient medical services. The policy would require the SUIHC to claim medical services provided at the health care industry standard reimbursement rate of 70.0% to 75.0%.
- Implementing a standard definition of the term indigent to be used by all counties. Currently each county director determines whether a patient is indigent and the qualifications vary among counties.
- Providing some oversight of the Program, perhaps through the State Auditor, to evaluate the use of the quotas and the variety of factors counties use to determine which patients are "indigent."
- Reviewing the quota system. New census data will soon be available and the county quotas will be revised. Perhaps more analysis should be done regarding quota utilization. Iowans may be better served if the county quotas were based on a combination of poverty levels and population, or on historical utilization.

BUDGET IMPACT AND FUNDING

The FY 2001 General Fund appropriation to the Indigent Patient Care Program at SUIHC is $33.0 million. The SUIHC is requesting the same level of funding for FY 2002.

Historical funding for the Program is illustrated in **Table 1** below.

Table 1
Indigent Patient Care Program
General Fund Appropriations History

(Dollars in Millions)

Fiscal Year	Appropriation	Percent Change
FY 2002 Request	$ 33.0	0.0%
FY 2001 Estimated	33.0	1.5%
FY 2000	32.5	2.2%
FY 1999	31.8	2.6%
FY 1998	31.0	3.0%
FY 1997	30.1	2.4%
FY 1996	29.4	2.4%
FY 1995	28.7	1.0%
FY 1994	28.4	0.4%
FY 1993	28.3	4.0%
FY 1992	27.2	-5.6%
FY 1991	28.8	3.2%
FY 1990	27.9	4.1%

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University of Iowa Hospitals and Clinics

Attachment A

REGULAR QUOTA, EXCESS QUOTA AND NON-QUOTA UTILIZATION
July 1, 1999 to June 30, 2000

County	Quota Utilization					Non - Quota Utilization (1)			TOTAL
	Utilization of Current Year Allocation				Prior				
	BASE QUOTA	BASE QUOTA PLUS 10%	REGULAR QUOTA UTILIZED	% of Quota Utilized	Years' Allocations Utilized	OBSTETRICS	NEWBORN	ORTHO	TOTAL
1. Adair	14	15	7	46.7%	-	-	-	1	8
2. Adams	8	9	7	77.8%	-	-	-	-	7
3. Allamakee	23	25	10	40.0%	-	-	-	2	12
4. Appanoose	23	25	21	84.0%	4	-	-	2	27
5. Audubon	12	13	7	53.8%	-	-	-	1	8
6. Benton	37	41	27	65.9%	2	-	-	3	32
7. Black Hawk	206	227	182	80.2%	20	-	-	40	242
8. Boone	42	46	43	93.5%	2	-	-	7	52
9. Bremer	38	42	26	61.9%	5	-	-	2	33
10. Buchanan	35	38	28	73.7%	6	-	-	3	37
11. Buena Vista	33	37	20	54.1%	6	-	-	2	28
12. Butler	26	29	15	51.7%	1	-	-	6	22
13. Calhoun	19	21	8	38.1%	3	-	-	2	13
14. Carroll	36	39	21	53.8%	7	-	-	3	31
15. Cass	25	28	17	60.7%	1	-	-	2	20
16. Cedar	29	32	24	75.0%	1	-	-	6	31
17. Cerro Gordo	78	86	45	52.3%	2	-	-	2	49
18. Cherokee	23	26	14	53.8%	1	-	-	-	15
19. Chickasaw	22	24	22	91.7%	-	-	-	7	29
20. Clarke	14	15	11	73.3%	3	-	-	2	16
21. Clay	29	32	21	65.6%	-	-	-	3	24
22. Clayton	32	35	30	85.7%	3	-	-	7	40
23. Clinton	85	94	74	78.7%	27	-	-	12	113
24. Crawford	28	31	17	54.8%	-	-	-	6	23
25. Dallas	50	54	51	94.4%	1	-	-	7	59
26. Davis	14	15	10	66.7%	-	-	-	3	13
27. Decatur	14	15	8	53.3%	3	-	-	4	15
28. Delaware	30	33	33	100.0%	5	-	-	1	39
29. Des Moines	71	78	73	93.6%	8	1	1	20	103
30. Dickinson	25	27	13	48.1%	2	-	-	4	19
31. Dubuque	144	158	99	62.7%	25	2	1	24	151
32. Emmet	19	21	20	95.2%	-	-	-	6	26
33. Fayette	36	40	7	17.5%	1	-	-	4	12
34. Floyd	28	31	27	87.1%	-	-	-	9	36
35. Franklin	19	21	7	33.3%	2	-	-	1	10
36. Fremont	14	15	3	20.0%	(2)	-	-	-	1
37. Greene	17	18	13	72.2%	1	-	-	3	17
38. Grundy	20	22	17	77.3%	2	-	-	3	22
39. Guthrie	18	20	19	95.0%	(1)	-	-	6	24
40. Hamilton	27	29	28	96.6%	1	-	-	8	37
41. Hancock	21	23	11	47.8%	1	-	-	2	14
42. Hardin	32	35	29	82.9%	1	-	-	2	32
43. Harrison	24	27	22	81.5%	1	-	-	3	26
44. Henry	32	35	22	62.9%	13	-	-	3	38
45. Howard	16	18	13	72.2%	1	-	-	-	14
46. Humboldt	18	20	8	40.0%	2	-	-	-	10
47. Ida	14	15	6	40.0%	-	-	-	2	8
48. Iowa	24	27	23	85.2%	5	-	-	7	35
49. Jackson	33	37	22	59.5%	(3)	-	-	10	29
50. Jasper	58	64	46	71.9%	12	-	-	8	66
51. Jefferson	27	30	15	50.0%	1	-	-	1	17
52. Johnson	160	176	114	64.8%	50	-	-	34	198
53. Jones	32	36	15	41.7%	6	-	-	8	29
54. Keokuk	19	21	12	57.1%	2	1	1	6	22
55. Kossuth	31	34	31	91.2%	4	-	-	4	39
56. Lee	64	71	70	98.6%	2	-	-	30	102
57. Linn	281	309	282	91.3%	17	2	1	54	356
58. Louisa	19	21	19	90.5%	4	-	-	5	28
59. Lucas	15	17	7	41.2%	2	-	-	-	9
60. Lyon	20	22	10	45.5%	1	-	-	-	11
61. Madison	21	23	17	73.9%	1	-	-	8	26
62. Mahaska	36	39	33	84.6%	2	-	-	15	50
63. Marion	50	55	32	58.2%	5	-	-	5	42
64. Marshall	64	70	57	81.4%	5	-	-	8	70

(1) Includes all prior years' non-quota utilization recorded in the 1999-00 fiscal year of 6 Obstetrics, 2 Newborn, 74 Orthopaedic and 42 State Institution patients.

University of Iowa Hospitals and Clinics

REGULAR QUOTA, EXCESS QUOTA AND NON-QUOTA UTILIZATION
July 1, 1999 to June 30, 2000

County	Quota Utilization					Non - Quota Utilization (1)			TOTAL
	Utilization of Current Year Allocation				Prior Years' Allocations Utilized				
	BASE QUOTA	BASE QUOTA PLUS 10%	REGULAR QUOTA UTILIZED	% of Quota Utilized		OBSTETRICS	NEWBORN	ORTHO	TOTAL
65. Mills	22	24	7	29.2%	-	-	-	-	7
66. Mitchell	18	20	13	65.0%	-	-	-	2	15
67. Monona	17	18	11	61.1%	-	-	-	-	11
68. Monroe	14	15	10	66.7%	-	-	-	5	15
69. Montgomery	20	22	16	72.7%	1	-	-	1	18
70. Muscatine	66	73	69	94.5%	2	4	(1)	39	113
71. O'Brien	26	28	20	71.4%	(1)	-	-	-	19
72. Osceola	12	13	4	30.8%	-	-	-	-	4
73. Page	28	31	31	100.0%	4	-	-	1	36
74. Palo Alto	18	20	13	65.0%	-	-	-	1	14
75. Plymouth	39	43	13	30.2%	-	-	-	-	13
76. Pocahontas	16	18	11	61.1%	2	-	-	1	14
77. Polk	545	599	256	42.7%	58	-	-	14	328
78. Pottawattamie	138	151	109	72.2%	(1)	-	-	3	111
79. Poweshiek	32	35	15	42.9%	13	-	-	2	30
80. Ringgold	9	10	7	70.0%	-	-	-	-	7
81. Sac	20	23	17	73.9%	-	-	-	-	17
82. Scott	251	277	149	53.8%	65	1	-	35	250
83. Shelby	22	24	13	54.2%	(1)	-	-	-	12
84. Sioux	50	55	15	27.3%	-	-	-	2	17
85. Story	124	136	128	94.1%	9	-	-	4	141
86. Tama	29	32	21	65.6%	4	-	-	3	28
87. Taylor	12	13	9	69.2%	-	-	-	1	10
88. Union	21	23	22	95.7%	-	-	-	6	28
89. Van Buren	13	14	5	35.7%	2	-	-	-	7
90. Wapello	59	65	52	80.0%	5	1	1	35	94
91. Warren	60	66	29	43.9%	3	-	-	4	36
92. Washington	33	36	11	30.6%	4	2	1	7	25
93. Wayne	12	13	9	69.2%	3	-	-	2	14
94. Webster	67	74	41	55.4%	3	-	-	19	63
95. Winnebago	20	22	8	36.4%	1	-	-	-	9
96. Winneshiek	35	38	17	44.7%	-	-	-	2	19
97. Woodbury	164	180	19	10.6%	-	-	-	1	20
98. Worth	13	15	11	73.3%	-	-	-	2	13
99. Wright	24	26	13	50.0%	(1)	-	-	2	14
SUBTOTAL	4,623	5,084	3,235	63.5%	452	14 (1)	5 (1)	633 (1	4,339

STATE INSTITUTION	
Anamosa Men's Reformatory	428
Braille and Sightsaving School - Vinton	3
Cherokee Mental Health Institute	36
Clarinda Correctional Treatment	169
Clarinda Mental Health Institute	27
Eldora Training School for Boys	21
Fort Dodge Correctional Facility	150
Fort Madison State Penetentiary	252
Independence Mental Health Institute	137
Iowa Soldier's Home - Marshalltown	88
Mt. Pleasant Medium Security Unit	262
Mt. Pleasant Mental Health Institute	29
Mt. Pleasant Women's Unit	51
Oakdale Security Medical Facility	481
Riverview Release Center - Newton	288
Rockwell City Medical Security Facility	52
State Juvenile Home - Toledo	56
Women's Reformatory - Mitchellville	183
Woodward State Hospital School	8
Work Release - Community Service - Anamosa	36
SUBTOTAL	2,757 (1)

TOTAL	4,623	5,084	3,235	63.6%	452	14 (1)	5 (1)	633 (1)	7,096

(1) Includes all prior years' non-quota utilization recorded in the 1999-00 fiscal year of 6 Obstetrics, 2 Newborn, 74 Orthopaedic and 42 State Institution patients.