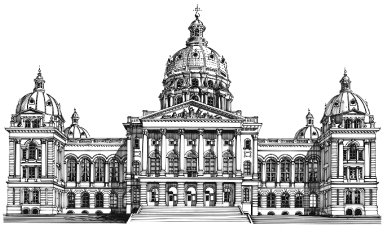
ISSUE REVIEW

Iowa Legislative Fiscal Bureau



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Disproportionate Share Program And Indirect Medical Education

ISSUE

Review of the FY 1993 and FY 1994 law changes regarding the Disproportionate Share Program and indirect medical education adjustment.

AFFECTED AGENCIES

Department of Human Services (DHS)

the University of Iowa Hospitals and Clinics (SUIHC).

CODE AUTHORITY

Chapter 1246, 1992 Iowa Acts

SF 233 (Education Appropriations), Section 11, 1993 Legislative Session

BACKGROUND

In Public Law 102-234, passed by Congress during 1992, placed a cap on all State Medicaid payments, including providers that serve a disproportionate share of low-income patients. This, commonly known as the Disproportionate Share Program, is an add-on payment above the typical Medicaid payments. The federal action was in response to states enacting taxation or donation programs to leverage additional federal dollars from the Medicaid Program.

The federal limit, originally set at 12.0% of national Medicaid costs, was to create a pool of funds to redistribute to qualifying states. The pool was to become available to those states whose percentage was less than 12.0% for FY 1993. Iowa at the time was 0.5% and would have been eligible for the pool redistribution. However, since the federal government froze the states' disproportionate share at the FY 1992 level, the proposed pool of funds was never developed. At the time of enactment of Chapter 1246, 1992 Iowa Acts, it was estimated that $17.0 million could have been received by the State of Iowa through the pool redistribution.

Medicaid does permit an additional reimbursement for Medical Education costs which consists of 2 components, the Direct Medical Education (DME) cost and the Indirect Medical Education (IME) cost. The DME includes costs related to the educational programs for students incurred by providers to train medical personnel, such as salaries of residents and

interns and related overhead. The IME is for the incremental patient care costs associated with intern and residency programs.

CURRENT SITUATION

Because of the mandated federal freeze, federal funds from the Disproportionate Share Program are no longer expected. Intent language in SF 233 continues to allow for the receipt of federal funds due to the Disproportionate Share should moneys become available. Senate File 233 also authorizes an increase in federal receipts made possible by recategorizing the amount of Medicaid reimbursement at the SUIHC for the cost of IME, utilizing the Indigent Patient appropriation. The IME is 1 of 3 items eligible to be added to a hospital's base-rate cost for Medicaid. Including the cost of the IME in the hospital base-rate cost may result in additional federal reimbursement from the Medicaid Program. Senate File 233 limits this change to only the SUIHC. Federal receipts are expected to be $14.0 million each year for FY 1993 and FY 1994 which will be deposited into the General Fund. The Health Care Finance Authority has not yet approved this funding mechanism.

ALTERNATIVES

This Issue Review is presented for informational purposes only.

BUDGET IMPACT

On May 28, 1993, $6.3 million was deposited in the General Fund due to the indirect medical education adjustment at the SUIHC.

If a pool of funds becomes available as a result of the original Disproportionate Share action for the Federal Fiscal Year 1994, additional federal revenues may be available. However, federal authorities have indicated that if these federal changes do occur, the impact (revenue) for Iowa is expected to be minimal.

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