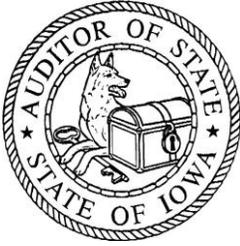


**AN EXAMINATION OF
THE IOWA MEDICAL ASSISTANCE DISPROPORTIONATE
SHARE HOSPITAL PAYMENTS PROGRAM
ADMINISTERED BY THE IOWA
DEPARTMENT OF HUMAN SERVICES
FOR THE YEAR ENDED JUNE 30, 2015**

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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Accountant's Report

To Jerry R. Foxhoven, 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, 2015. 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 and, accordingly, 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 our examination provides 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, 2015.

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.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

December 27, 2018

**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 \$6,908,136 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 2015 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 2015, we reviewed 22 recipients of medical care from Broadlawns 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 22 recipients tested for Broadlawns Medical Center, one recipient was classified as both Medicaid eligible and uninsured for the same month of service.
 - b. Of the 25 recipients tested for the University of Iowa Hospitals and Clinics, one recipient was classified as both Medicaid eligible and uninsured for the same month of service.
 - c. Of the 25 recipients tested 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.

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, 2015

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	\$1,300,035	28.13%	27.14%	N/A	\$4,545,200	138,186	-	4,683,386
St. Luke's Regional Medical Center	4,444,969	40.21%	26.94%	N/A	26,908,759	5,603,826	416,869	32,929,454
Unity HealthCare	1,676,592	41.70%	27.46%	N/A	7,696,416	1,973,306	-	9,669,722
Alegent Health - Mercy Hospital	6,206,837	53.46%	29.75%	N/A	22,571,600	5,245,141	-	27,816,741
University of Iowa Hospitals and Clinics	68,056,779	42.93%	18.27%	EDSH	196,380,845	16,126,892	26,034,186	238,541,923
Iowa Methodist Medical Center	3,223,041	29.10%	15.57%	Children's Hospital	71,637,760	11,005,863	1,900,456	84,544,079
Broadlawn Medical Center	6,752,059	60.82%	62.46%	EDSH	38,547,863	9,555,682	1,331,692	49,435,237
Mercy Medical Center	7,020,391	35.45%	24.89%	Children's Hospital	111,627,621	21,033,728	1,002,330	133,663,679

Out-of-State DSH Hospitals (amounts represent Iowa and Nebraska)

CHI Health Creighton University Medical Center, Omaha, NE (0992917)	^ 47,365,544	41.12%	22.82%	N/A	26,741,944	9,120,118	2,702,151	38,564,213
CHI Health Immanuel, Omaha, NE (900837)	^ 42,825,762	36.66%	15.45%	N/A	18,573,759	12,550,302	180,647	31,304,708
Children's Hospital and Medical Center, Omaha, NE (0902148)	^ 17,305,783	59.13%	28.20%	N/A	62,778,802	48,252,694	3,395,979	114,427,475
The Nebraska Medical Center, DBA Nebraska Medicine, Omaha, NE (507459)	^ 284,030,788	30.79%	11.15%	N/A	106,419,924	29,895,469	4,284,360	140,599,753

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.

^ - Information reported in columns B - I and columns Q - T was provided by Nebraska DSH audit staff.

* - Per Federal Register 42 CFR, Part 447.299(18), reporting this information is not required for out-of-state hospitals.

See accompanying independent auditor's 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
5,406,648	723,262	289,423	-	866,196	576,773	1,300,035	31,738	600080	160008	\$19,264,716
34,697,661	1,768,207	536,713	-	3,213,475	2,676,762	4,444,969	340,805	600114	160146	114,512,560
10,535,165	865,443	130,902	-	942,051	811,149	1,676,592	56,411	600155	160013	34,146,850
30,850,470	3,033,729	336,646	-	3,509,754	3,173,108	6,206,837	134,899	600288	160028	95,764,639
300,621,907	62,079,984	1,552,187	-	7,528,982	5,976,795	68,056,779	29,808,597	600585	160058	962,113,283
85,682,622	1,138,543	1,333,005	-	3,417,503	2,084,498	3,223,041	2,085,133	600825	160082	403,198,389
52,313,034	2,877,797	679,192	-	4,553,454	3,874,262	6,752,059	13,660,195	601013	160101	77,202,658
135,227,898	1,564,219	2,838,145	-	8,294,317	5,456,172	7,020,391	1,240,763	600833	160083	523,925,380

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&, %

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*	*	*	*	*	*	*	763,608	10026313000	280030	188,272,122
*	*	*	*	*	*	*	1,012,110	47037661501	280081	154,340,014
*	*	*	*	*	*	*	4,085,849	47037975400	283301	225,297,867
*	*	*	*	*	*	*	17,699,150	91185843302	280013	730,745,127