

**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, 2019**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

December 20, 2022

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, 2019. 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, 2019. 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 is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Program. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance with the criteria, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the Iowa Department of Human Services and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2019.

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 cursive script, appearing to read "Ernest H. Ruben, Jr.".

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

December 20, 2022

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 2019, 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 Broadlawns 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, 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 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, 2019

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	\$ 2,305,260	30.78%	25.93%	N/A	\$ 439,512	2,195,860	-	2,635,372
St. Luke's Regional Medical Center	715,500	41.91%	25.55%	N/A	8,303,940	29,356,744	411,550	38,072,234
Unity HealthCare	674,342	31.45%	21.71%	N/A	996,521	7,444,108	-	8,440,629
Alegent Health - Mercy Hospital	8,790,368	12.52%	31.92%	N/A	2,871,101	22,324,172	-	25,195,273
University of Iowa Hospitals and Clinics	81,732,775	37.57%	12.84%	EDSH	34,214,060	159,995,426	26,410,487	220,619,973
Iowa Methodist Medical Center	13,493,358	31.74%	15.05%	Children's Hospital	12,990,769	81,199,473	1,825,980	96,016,222
Broadlawns Medical Center	12,158,655	66.91%	65.87%	EDSH	6,178,341	43,836,205	1,626,530	51,641,076
Mercy Medical Center	29,410,645	31.27%	20.11%	Children's Hospital	19,027,493	92,317,954	1,090,672	112,436,119
St. Luke's Hospital	2,097,605	40.19%	17.83%	N/A	8,911,509	50,825,419	243,130	59,980,058
Trinity Regional Medical Center	6,598,619	29.75%	15.51%	N/A	1,712,308	14,908,797	25,495	16,646,600
Iowa Lutheran Hospital	4,059,199	51.18%	21.90%	N/A	5,068,388	23,574,656	195,000	28,838,044

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), 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
4,385,385	1,750,013	50,537	-	605,784	555,247	2,305,260	9,417	600080	160008	\$ 16,614,925
36,550,393	(1,521,841)	520,938	-	2,758,279	2,237,341	715,500	256,185	600114	160146	127,713,479
8,468,347	27,718	152,528	-	799,152	646,624	674,342	42,270	600155	160013	32,024,472
30,712,366	5,517,093	150,428	-	3,423,703	3,273,275	8,790,368	159,140	600288	160028	87,703,189
298,858,795	78,238,822	3,979,737	-	7,473,690	3,493,953	81,732,775	50,596,276	600585	160058	1,343,505,151 %
107,508,834	11,492,612	1,563,393	-	3,564,139	2,000,746	13,493,358	1,218,703	600825	160082	498,226,025
58,765,427	7,124,351	907,256	-	5,941,560	5,034,304	12,158,655	10,282,070	601013	160101	105,101,577 %
136,092,926	23,656,807	1,871,366	-	7,625,204	5,753,838	29,410,645	2,452,973	600833	160083	596,788,169
61,105,727	1,125,669	854,445	-	1,826,381	971,936	2,097,605	305,226	600452	160045	270,731,718
22,606,020	5,959,420	525,585	-	1,164,784	639,199	6,598,619	99,301	600163	160016	104,413,987
31,707,745	2,869,701	244,373	-	1,433,871	1,189,498	4,059,199	129,892	600247	160024	94,742,838