

**AN EXAMINATION OF
THE IOWA MEDICAL ASSISTANCE DISPROPORTIONATE
SHARE HOSPITAL PAYMENTS PROGRAM
ADMINISTERED BY THE IOWA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
FOR THE YEAR ENDED JUNE 30, 2022**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

December 26, 2025

Iowa Department of Health and Human Services
Des Moines, Iowa

To the Members of the Iowa Department of Health and Human Services:

I am pleased to submit to you the examination report for the Iowa Department of Health and Human Services for the year ended June 30, 2022. The examination was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Iowa Department of Health and 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 Larry Johnson, Jr., Director
of the Iowa Department of Health and 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 Health and Human Services (Department) for the year ended June 30, 2022. 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 the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Health and Human Services and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2022.

This report, a public record by law, is intended solely for the information and use of the Iowa Department of Health and Human Services and other parties to whom the Iowa Department of Health and 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 black ink, appearing to read "Brian R. Brustkern".

Brian R. Brustkern, CPA
Deputy Auditor of State

December 26, 2025

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 Health and 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) Uninsured (Self-Pay) Revenue – Federal Register Volume 73, No. 245 dated December 19, 2008 provides guidance on the treatment of revenues received by hospitals by or on behalf of individuals with no source of third-party coverage. Often these “self-pay” revenues received in a given year could be related to a prior period. Due to the inability to control these revenue streams and to foster administrative ease, audits should take into account these self-pay revenues during the year in which they are received, irrespective of whether such revenues were received. Broadlawns Medical Center reported self-pay revenue based on services provided during the Medicaid State plan year, irrespective of when the revenue was received. The estimated financial impact of this error in reporting is \$240,577. Based on the estimated financial impact, Broadlawns Medical Center is still below their respective hospital-specific DSH payment limit.

Recommendation – The Department should implement procedures to ensure self-pay revenue used for the hospital-specific DSH payment limit is reported in accordance with Federal Register Volume 73, No. 245.

Response – The Department agrees with the findings. Broadlawns Medical Center reported self-pay revenue based on services provided during the Medicaid State plan year, irrespective of when the revenue was received. The estimated financial impact of this error in reporting is \$240,577. Based on the estimated financial impact, Broadlawns Medical Center is still below their respective hospital-specific DSH payment limit. The Department will review that self-pay revenue is correctly reported on the submitted DSH survey and supporting documentation.

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 2022, we reviewed 25 recipients of medical care from Broadlawns Medical Center, 25 recipients of medical care from Iowa Methodist Medical Center 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, two recipients were classified as both Medicaid eligible and uninsured for the same month of service.
 - b. Of the 25 recipients reviewed for Iowa Methodist Medical Center, four recipients were classified as both Medicaid eligible and uninsured for the same month of service.
 - c. Of the 25 recipients reviewed for Mercy Medical Center, seven 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 agrees with the findings. 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. 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, 2022

Definition of Uncompensated Care: The Iowa Department of Health and 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
MercyOne Newton Medical Center	\$ 4,232,759	23.19%	13.03%	N/A	\$ 177,187	4,267,376	-	4,444,563
UnityPoint Health - St. Luke's Regional Medical Center	3,326,843	43.58%	27.48%	N/A	4,750,818	39,830,305	443,297	45,024,420
UnityPoint Health - Trinity Muscatine	4,645,260	23.00%	14.87%	N/A	320,565	6,300,682	-	6,621,247
CHI Health-Mercy Council Bluffs	10,788,597	41.98%	26.68%	N/A	1,848,021	21,173,364	-	23,021,385
UnityPoint Health - St. Luke's Hospital	11,362,696	42.86%	18.61%	N/A	3,104,039	61,880,844	303,167	65,288,050
Methodist Jennie Edmundson	2,924,871	35.67%	23.08%	N/A	1,551,569	23,292,119	12,480	24,856,168
Southeast Iowa Regional Medical Center	19,515,566	30.19%	11.76%	N/A	2,229,132	25,606,837	-	27,835,969
MercyOne Waterloo Medical Center	11,459,489	48.31%	19.56%	N/A	2,611,272	49,341,453	341,204	52,293,929
UnityPoint Health - Iowa Methodist Medical Center - Blank Children's Hospital	51,575,220	34.56%	17.33%	Children's Hospital	6,731,746	131,238,508	2,568,541	140,538,795
Mercy Medical Center	38,109,564	28.08%	18.86%	Children's Hospital	9,699,452	101,715,151	1,592,361	113,006,964
Broadlawns Medical Center	20,870,399	61.73%	51.75%	EDSH	2,928,861	50,143,833	954,966	54,027,660
UnityPoint Health - Allen Hospital	8,522,235	38.99%	16.41%	N/A	2,607,207	37,990,855	274,334	40,872,396
Spencer Hospital	3,750,049	51.63%	11.25%	N/A	666,957	10,657,187	-	11,324,144
UnityPoint Health - Finley Hospital	6,002,448	35.91%	16.22%	N/A	1,113,354	17,040,065	-	18,153,419
UnityPoint Health - Trinity Bettendorf	5,975,575	31.33%	18.97%	N/A	1,000,874	14,013,793	56,454	15,071,121

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.

See accompanying Auditor of State's independent report.

J	K	L	M	N	O	P	Q	R	S	T	U
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	Financial Impact of Audit Findings
8,206,176	3,761,613	109,712	-	580,858	471,146	4,232,759	10,611	600081	160032	\$ 39,297,262	-
46,135,868	1,111,448	512,187	-	2,727,582	2,215,395	3,326,843	139,396	600114	160146	159,846,531	-
10,736,621	4,115,374	161,974	-	691,860	529,886	4,645,260	51,893	600155	160013	45,060,575	-
31,554,471	8,533,086	302,992	-	2,558,503	2,255,511	10,788,597	186,899	600288	160028	98,803,671	-
75,739,035	10,450,985	892,299	-	1,804,010	911,711	11,362,696	188,962	600452	160045	306,170,391	-
26,551,127	1,694,959	355,433	-	1,585,345	1,229,912	2,924,871	142,401	600478	160047	111,231,664	-
46,138,365	18,302,396	996,839	-	2,210,009	1,213,170	19,515,566	69,828	600577	160057	256,525,591	-
62,012,290	9,718,361	123,201	-	1,864,329	1,741,128	11,459,489	191,899	600676	160067	267,989,253	-
188,518,468	47,979,673	2,575,257	-	6,170,804	3,595,547	51,575,220	1,536,711	600825	160082	763,887,390	7,820
147,822,588	34,815,624	4,946,484	-	8,240,424	3,293,940	38,109,564	1,149,676	600833	160083	641,204,661	26,801
69,780,820	15,753,160	1,378,692	-	6,495,931	5,117,239	20,870,399	6,051,553	601013	160101	136,130,747	241,494
47,858,124	6,985,728	105,172	-	1,641,679	1,536,507	8,522,235	115,063	601104	160110	215,453,044	-
14,757,899	3,433,755	309,743	-	626,037	316,294	3,750,049	17,029	601120	160112	94,986,275	-
23,327,707	5,174,288	52,043	-	880,203	828,160	6,002,448	45,804	601179	160117	105,888,914	-
20,407,274	5,336,153	276,888	-	916,310	639,422	5,975,575	52,960	601286	160104	77,432,547	-