

## **A Plan for Iowa Medicaid Reform**

### ***Frequently Asked Questions***

Last Updated 3/30/05

#### Financing

Q 1: How can we expand Medicaid without an increase in State expenditures?

A: Iowa currently expends approximately \$100 million in State and County funds for health care services to the uninsured through the University of Iowa Hospitals and Clinics (UIHC) State Papers/Indigent Care Program, Broadlawns Hospital's property tax levy, and State General Fund appropriations to the Mental Health Institutions.

Under the proposal, Medicaid would be expanded in a very specific and limited way to include people currently covered by these programs. The Medicaid program is funded 63.55% by the federal government. As a result, it only takes \$35 million in State funds to match roughly \$65 million in federal funds, for a total of \$100 million in expenditures. This provides \$65 million in savings to the State General Fund.

Q 2: Does this proposal result in an increase in State General Fund expenditures or Federal expenditures?

A: No. As outlined above, the intent is to achieve a General Fund savings that will essentially offset the loss of revenue to the state due to the 'inappropriate' use of Intergovernmental Transfers (IGTs). This prevents disruption of services, coverage and eligibility of existing recipients of Iowa Medicaid.

Q 3: Will the entire amount of the appropriations to the entities (\$27 million to University of Iowa, \$34 million to Broadlawns, and \$30 million to the Mental Health Institutes) be used for the Medicaid expansion State match?

A: No. The Medicaid expansion will not cover all who are currently served by these programs. The intent of the proposal is for Disproportionate Share Hospitals (DSH) and Indirect Medical Education (IME) funding (which are also federally matched) to help cover what is not covered by the Medicaid expansion. For example, if Medicaid expansion payments to the University of Iowa are \$17 million (State and federal funds), then \$10 million could be paid from a combination of DSH and IME funding (State and federal funds). All three of these funding sources will flow through the Hospital Trust Fund. The amounts from each source will be determined by the Department of Human Services (DHS), with oversight from the joint legislative Medicaid committee.

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Q 4: What is the role of Disproportionate Share Hospitals funding?

A: Currently, Iowa has two DSH programs. The first program, approximately \$6.8 million total state and federal funds, is paid to hospitals throughout the State (including the UIHC) to address uncompensated care. The second program is an ‘inappropriate’ IGT through the UIHC, which results in revenue to the Medicaid Program of \$18 million federal funds.

The IGT program is being eliminated by the federal government, so the DSH funds will no longer be used for the IGT. Federal DSH dollars are granted to the States through a maximum allotment; therefore, the DSH funding is still available to Iowa for appropriate uses. Under the Iowa Medicaid Reform proposal, the DSH formerly used for the IGT will instead be used to supplement the Medicaid expansion program for the three entities through their Hospital Trust Fund appropriation to hold them harmless.

The department is required to develop a new funding mechanism for the distribution of the DSH dollars. The new DSH program can be allocated to address uncompensated care at the three entities and to cover persons or services not covered by the Medicaid expansion.

Q 5: What is the role of Indirect Medical Education funding?

A: Currently, Iowa uses its federal Indirect Medical Education funding for an ‘inappropriate’ IGT through the UIHC, which results in revenue to the Medicaid Program of \$18.4 million federal funds. Indirect Medical Education (IME) funds may be drawn down by states to provide additional reimbursements to medical teaching hospitals.

The IGT program is being eliminated by the federal government, so the IME funds will no longer be used for the IGT; however it is still available to Iowa for appropriate uses. Under the Iowa Medicaid Reform proposal, the IME formerly used for the IGT will instead be used to supplement UIHC and Broadlawn, as teaching hospitals (the MHIs do not provide medical education). The funds will flow through their Hospital Trust Fund appropriations to cover whatever the Medicaid expansion and DSH funding do not cover.

The department is required to develop a new funding mechanism for the distribution of the IME dollars in the same manner as the DSH funding discussed above.

Q 6: Will there be any changes to the Upper Payment Limit?

A: The Upper Payment Limit is the maximum reimbursement level allowed by CMS. The Upper Payment Limit is roughly equal to the Medicare reimbursement level. The Upper Payment Limit is the basis for the calculation used for the ‘inappropriate’ IGT payments for the Hospital Trust Fund and Senior Living Trust Fund IGTs that will be eliminated in this negotiation with CMS. Under the proposal, the Upper Payment Limit would be changed to reflect actual Medicaid costs rather than the higher Medicare level.

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This is desired by CMS because it forecloses the opportunity for the State to develop new IGT type financing mechanisms.

### Eligibility

Q 7: What population will be served under the new Program? What eligibility criteria will be used and who will determine eligibility?

Estimates put the number of uninsured adults under 200% of the Federal Poverty Level (FPL) not eligible for Iowa Medicaid at 147,000. There are a number of ways eligibility for the expansion Program can be addressed. Data would suggest this population would include:

- Childless or single adults (ages 19-64).
- Adults with Medicaid or hawk-i eligible children who make too much money to qualify for coverage themselves.
- Persons with disabilities who are not in institutions or accessing services through the home and community based waiver.

Eligibility for expansion could be established incrementally. For example, the State could choose to begin the expansion Program by extending eligibility to parents of children who receive Medicaid. Criteria for eligibility would be established by policy direction and oversight from the Joint Medicaid Legislative Committee.

Eligibility will be determined by a state Income Maintenance workers, possibly out stationed at Broadlawns Hospital and UIHC.

Q 8: How many people will be served under the new Program?

The number of individuals served by the new Program would be driven, in large part, by available resources. Rough estimates are that as many as 100,000 Iowans (unduplicated) could receive services under Medicaid expansion over the next five years based on currently available revenue.

Q 9: How will enrollment be structured to assure expenditures and enrollment remains within the caps? Is this an entitlement program?

A: A Joint Legislative Medicaid Committee would be appointed to continually review expenditures and eligibility to ensure services to the expansion population would not exceed available resources. The Committee would not be authorized to assume enactment of supplemental appropriations for the expansion population. The expansion population would be defined by a unique Medicaid waiver that would allow for limits on enrollment, eligibility, and services and provider network.

The expansion Program is not an entitlement. Eligibility and services can be adjusted at any point based on available resources and policies.

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Q 10: What services will new enrollees be eligible for?

Initially, new enrollees would be eligible for inpatient/outpatient hospital services at Broadlawns, University of Iowa hospital or one of the four state Mental Health Institutes and physician services provided through those institutions. Later phases would include preventative care targeted at innovations in improving the health of Iowans.

Q 11: What happens to people not covered by the new Program?

People not served by the new Program would receive services much in the same way they do today. In Iowa's present health care system, these individuals represent uncompensated care and they will continue to represent uncompensated care in the new system. The new Program may identify additional resources already being expended on these individuals that could be matched under this initiative in the future.

Q 12: How will the Medicaid expansion work in Polk County versus the rest of the State?

Residents of Polk County who qualify for the Medicaid expansion program will access appropriate services at Broadlawns Hospital. Polk County residents who are eligible for the new Program, but who have tertiary medical needs could also access their care at the UIHC.

### Provider Issues

#### *Hospitals*

Q 13: What happens to the State Papers / Indigent Care Program?

A: Policy changes may need to be made to the state papers/indigent care program. The goals are that people who receive care under this program continue to receive care while maximizing federal participation and exploring innovations in health care delivery.

Q 14: What happens to Broadlawns property tax levy?

A: The Broadlawns property tax levy generates approximately \$44.2 million, of which \$27.8 million comes from their General Fund levy and the remainder comes from other types of levies for FICA, IPERS, etc. The concept behind the proposal is for Broadlawns to transfer \$34 million of their levy (the final amount has not been determined) to the Hospital Trust Fund to be used as State match for the Program. The proposal does not change the levy caps or rates.

Q 15: What will be the impact on hospitals not included in the Program?

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A: There is no direct affect on hospitals who are not providers under the Program. Hospitals currently receiving DSH dollars will continue to receive them. At some point they may become eligible to provide services to the expansion population to the extent that population is currently provided with uncompensated care.

### *Nursing Facilities*

Q 16: Why give up the Nursing Facility Tax (also known as Quality Assurance Fee)?

A: In the state's negotiations with CMS, Secretary Michael Leavitt clearly expressed a prohibition of provider taxes under the new waiver. In his letter to Governor Tom Vilsack dated March 22, 2005 he writes, *"I have directed CMS to work with you on the necessary terms and conditions of a waiver that will permit us to provide Iowa with the necessary flexibility to reform its Medicaid program. These terms and conditions will include positive steps to bring the State's financing of the Medicaid program into compliance and a prohibition of provider taxes for the duration of the waiver."*

Q 17: Why should the State adopt a higher level of care for nursing facilities than the Home and Community-Based Services Waiver?

A: Under the current system an elder Iowan can only access home and community based waiver services if they are also eligible for nursing facility level of care. Most parties agree that there is a subset of the nursing home population that requires lower levels of care and could be served in their homes or other community settings. In addition, "rebalancing" the long-term care system has long been a goal of the Legislature and the Executive Branch. The proposal will further that goal by making it more difficult to enter a nursing home and encourage the development of and utilization of home and community based services.

Q 18: What will happen to residents of rural or other underserved areas if home and community-based services are not available and they do not meet the higher level of care required for nursing facility services?

Older and disabled Iowans Iowans, who do not have access to appropriate community based services in their community, could access nursing facility care if they meet the criteria established for home and community based waiver eligibility. Generally, these criteria are; 1) hands on assistance on a daily basis with one to three activities of daily living 2) a safe and secure environment for individuals who are chronically confused or mentally ill.

The impetus behind the differential criteria for admission to a nursing facility and access to waiver services is to promote community based options for elder Iowans so they can remain in their homes and communities.

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The General Assembly is acting on legislation, HF 786 and SF 303, that would authorize nursing facilities to expand their operations to other activities or businesses in recognition of the need to diversify in anticipation of this change.

Q 19: Will anyone currently in a nursing home or served by one have to move or lose coverage?

A: No. Any individual currently residing in nursing home would not be affected by the differential between admission to a nursing facility and eligibility for home and community based services. This criteria would apply only to people going forward.

### *Physicians*

Q 20: What are the provider incentives mentioned in the proposal?

A: This program would not be part of the first year implementation. It is scheduled for the second year. The concept is to develop payment incentives for physicians and other providers for an active primary care case management or medical home program.

### Other

Q 21: Who will serve on the legislative committee and the medical services utilization and provider rate committee?

A: The membership has not yet been determined.

Q 22: Will the reimbursement rate information required by the rate setting commission from insurers and providers be kept confidential? Who will have access to the information?

A: Yes. Only the members of the commission and DHS staff directly providing support to the Commission would have access this information and would be obligated to keep this information in strictest confidence. This is similar to the arrangement used for the rebate information provided to the Pharmaceutical and Therapeutics Committee that administers the Preferred Drug List. This information is also considered to be highly sensitive and confidential.