

- DRAFT -

PROPOSED AGREEMENT BETWEEN IOWA AND CMS REGARDING INTERGOVERNMENTAL TRANSFERS AND RELATED ITEMS

The issue of IGTs that do not conform to the requirements of section 1903 (w)(6) is a complicated one. Even though most would agree that, if a practice is ultimately determined to be inappropriate, that practice ought to be phased out at some point. But the immediate end of these IGTs would result in a substantial loss of revenues with serious negative consequences for the services provided to low income beneficiaries including those in our state of Iowa... .

Letter dated March 12, 2004 to Acting CMS Administrator Dennis Smith, signed by Senator Grassley, Senator Harkin, Representative Boswell, Representative Leach, Representative King, Representative Latham and Representative Nussle

Benefits to CMS:

Beginning on July 1, 2005, Iowa will :

Eliminate all of the following Intergovernmental Transfers:

- ❑ Hospital Upper Payment Limit Transfer from Franklin Memorial Hospital.
- ❑ Supplemental Disproportionate Share (DSH) Intergovernmental Transfer from the University of Iowa Hospitals and Clinics
- ❑ Supplemental Indirect Medical Education Transfer from the University of Iowa Hospitals an Clinics.
- ❑ Nursing Facility Upper Payment Limit Transfer from County Operated Nursing Facilities.

Base Hospital Upper Payment Limit Calculations under the Iowa State Plan on Medicaid Case Mix Adjusted Rates instead of Medicare Rates.

Withdraw its request for a waiver and associated state plan amendment related to its proposed nursing facility assessment.

Benefits to Iowa:

The state plan amendment that would allow Iowa to install a physician payment intergovernmental transfer from the University of Iowa, as originally submitted, (MS – 30-17) will be approved for SFY 2004 and SFY 2005 only. It will be eliminated beginning in SFY 2006. The amendment as originally submitted would, *inter alia*, make physician payments based on charges.

The state plan amendment to use what would otherwise be appropriated to the State Papers program to finance an enhanced payment to the University of Iowa Hospitals and Clinics (based on current UPL methodology) for Medicaid patients will be approved for SFY 2005 only. It will be eliminated beginning in SFDY 2006.

Except as provided in the first and second items under this section, and so long as Iowa complies with all of the items listed in the previous section, no Iowa state plan amendment shall be disapproved because of CMS allegations that one or more of the Intergovernmental Transfers described above are being used or would be used improperly to cover the State share of Iowa Medicaid payments.

If the State passes legislation that declares that, as of 7/1/05, the four state hospitals (currently characterized as Institutes for Mental Disease) and the two state resource centers (Woodward and Glenwood) are a single “State Medical Institution” (SMI) the State shall be authorized by CMS to:

Provide Medicaid coverage (with appropriate federal match) inpatient and outpatient hospital services provided by any part of the SMI so long as it is provided to an eligible individual by any part of the SMI which is licensed under Iowa law as a hospital.

Make Disproportionate Share Hospital (DSH) payments for services provided by any or all parts of the SMI licensed as a hospital under Iowa State law.

Impose its ICF/MR assessment on ICF/MR services provided by any part of the SMI licensed as an ICF/MR and providing ICF/MR services.

Note: The SMI shall qualify for these payments from 7/1/2005 through 6/30/2010 or so long as, at the time the services are provided:

The total number of beds in the SMI licensed as hospital beds is less than 50% of the total number of all SMI beds, provided however, that for purposes of determining compliance with this condition, any reduction in beds which occurs as the result of reduction in census due to an increase in utilization of home and community based care shall be ignored.

An individual (who may be current state employee) has been appointed by the Director of the Iowa Department of Human Services to serve as the Director of the SMI and the an individual (who may also serve as medical director of one of the component parts of the SMI) has been appointed by the Director of the Iowa Department of Human Services to serve as the Medical Director of the SMI.

The Director of the SMI shall, in consultation with the Directors of all other ICF/MRs in Iowa shall develop and present to CMS and to the Director of the Iowa Department of Human Services, no later than 7/1/2007, a plan to reduce the number of number of Iowans in ICF/MRs and increase the number of Iowans with mental retardation and developmental disabilities who have access to home and community based services in lieu thereof..

Note: The SMI shall qualify for these payments for the five year period notwithstanding the fact that parts of the SMI shall remain licensed as separate hospitals and as parts as separate ICF/MRs and that there is no consolidation of the campuses of the SMI or of the operations of one or more parts of the SMI.

A waiver, effective from 7/1/2005 through 6/30/2010, which permits (but does not require) Iowa to provide Medicaid benefits to adults ages 21 through 64 (and, if it so elects, to the elderly and disabled who are not currently covered under Iowa Medicaid) with family incomes at or below 200% of the Federal Poverty Level; (the “expansion population”) **AND**

- ❑ Permits (but does not require) the State of Iowa to limit medical benefits to the expansion population to inpatient and outpatient hospital services and physician services;
- ❑ Permits (but does not require) the State of Iowa to limit the provider network through which the expansion population can access allowable services to Broadlawns Hospital in Polk County, the University of Iowa Hospital and Clinics, and the SMI.
- ❑ Permits the State to cap or otherwise limit enrollment of the expansion population.
- ❑ Permits (but does not require) the State to add coverage for the expansion population to include any one or more benefits so long as such benefits are available at the time to the non-expansion population), including, without limitation, ICF/MR and waiver services.
- ❑ Permits (but does not require) the State to use unencumbered certified local match to cover the State share of the cost of services for the expansion population.
- ❑ CMS shall not count any individual in the expansion population as a “full-benefit” dual eligible for purposes of calculating the State’s Medicare Part D payment, unless the expansion population is, in fact, made eligible for all of the same benefits as the non-expansion population.

NOTE: THE SMI WAIVER AND THE EXPANSION WAIVER SHALL BE CONSIDERED BUDGET NEUTRAL SO LONG AS THE SUM OF FEDERAL MEDICAID PAYMENTS ARISING ON ACCOUNT OF THE WAIVER SHALL NOT EXCEED THE SUM OF THE FOLLOWING:

SFY 2006	\$65.0 million/(1-Iowa FFP rate); and
SFY 2007	\$65.0 million x 1.075)/(1-Iowa FFP rate); and
SFY 2008	(\$65.0 million x 1.156)/(1-Iowa FFP rate); and
SFY 2009	(\$65.0 million x 2.242)/(1- Iowa FFP rate); and
SFY 2010	(\$65.0 million x 1.335)/(1-Iowa FFP rate).

The right, from 7/1/05 through 6/30/2010 to increase, for new admissions only, the level of care required to qualify for nursing facility services, while retaining the same level of care requirement for home and community based waiver services in effect on January 1, 2005.

I.e. The level of care required to enter nursing home could be higher than the level of care required to receive waiver services for new admissions only starting 7/1/05.

Note: The State would consider a maintenance of effort requirement to ensure that no less than 85% of the amount “saved” on account of the above change in medical requirements would be used to pay for long term care services in the community, including without limitation, those services covered by Project Independence.

A waiver, from 7/1/05 through 6/30/2010 that will permit Iowa to provide mental health services to children who:

- ❑ Could not receive such services unless they were determined Children in Need of Assistance (CINA); and
- ❑ Whose Medicaid covered medical care only as a CINA child would cost more than a home based alternative set of Medicaid covered services.

Approval of Iowa’s family planning waiver, effective January 1, 2005.