Background

More than 60 percent of hospital revenue is derived from government health insurance payments through Medicaid and Medicare. These publicly funded programs are critical health insurance programs for some of the state’s most vulnerable citizens, but payment rates fall far short of covering the actual cost of care and do not keep up with rates of inflation.

The provision of quality health care services is a cornerstone to the infrastructure of Iowa’s communities and an essential force in the state’s economic development. However, continued disruption, like the recent shift to a privately managed Medicaid program, has led to major unresolved issues and continue to threaten access to health care services.

Policymakers must recognize the financial pressures hospitals are experiencing and ensure their continued viability. Medicaid policy must be developed and implemented in a way that encourages providers to remain in the program and accurately reimburses for services provided to beneficiaries.

Failure to correct long-standing problems chips away at the efficacy of the state’s own insurance program, erodes public trust and puts critical community health services at additional financial risk.

State and Federal Fiscal Pressures

1. Many Iowa hospitals are struggling financially due to ongoing health system changes at both the state and federal levels. These financial pressures have resulted in hospital staff reductions and threaten to reduce the availability of hospital care across the state, especially in rural areas.

2. Iowa hospitals are already facing more than $5 billion in federal payment reductions. Continued cuts threaten access to quality health care services and damages the state’s health care infrastructure.

3. While state government cannot reverse cuts in federal payments to hospitals, it should recognize the financial pressures that hospitals are also facing at the federal level and ensure that state policy does not compound the negative impact.

4. Since Medicaid is a joint state/federal program, the state should do all it can to make investments and improvements to the Medicaid program.

A key indicator of financial pressure is the recent increase in hospital uncompensated care which means that more and more Iowans are unable to pay their medical bills because they are uninsured or underinsured.

Unexpected increases limit a hospital’s ability to maintain a complete line of health care services as well as its ability to attract and retain the working professionals that are essential to care delivery.
Oppose Further Reductions to Medicaid
When the Legislature passed millions in “cost containment measures” in 2017, the payment gap widened further. Combining that with the continued payment challenges hospitals are experiencing because of the state’s implementation of Medicaid managed care and a number of federal Medicare payment reductions Iowa’s community hospitals are left in a compromised financial position that threatens access to health care services across the state.

• The Iowa General Assembly should oppose further reductions to Medicaid reimbursement to hospitals. Ultimately, it is the responsibility of Iowa’s government to invest in the Medicaid program which in turn will increase access to care for Iowa’s citizens and help hospitals provide adequate salaries and benefits to the more than 70,000 hospital employees across the state.

Provide Adequate Reimbursement for Emergency Services
The state implemented a cost saving measure allowing Managed Care Organizations (MCOs) to pay significantly reduced rates for “non-emergent” services provided in hospital emergency rooms. While Iowa hospitals share in the goal of reducing unneeded ER use, using payment-based penalties simply transfers the cost. Instead, MCOs should utilize the same primary care provider incentives to help patients make informed and appropriate choices, rather than unfairly penalizing community hospitals when patients fail to comply with those directives.

• The Iowa General Assembly should pass legislation that allows hospital staff and clinicians, not MCOs, to determine which patients presenting to an emergency room have a non-emergent condition and repeal existing policy that reduces payment for non-emergent use of the ER.

Critical Access Hospital Cost-Based Reimbursement
Critical Access Hospitals (CAHs) are eligible for allowable cost plus 1 percent reimbursement. However, CAHs have been denied this payment following the transition to Medicaid managed care. This means that Iowa’s 82 small rural hospitals have lost the opportunity to receive an annual cost settlement under Medicaid that has resulted in an immediate negative financial impact.

• The Iowa General Assembly should appropriate funding to restore inpatient and outpatient cost-based reimbursement for CAHs and direct the Department of Human Services to develop a Cost Adjustment Factor methodology.

Restore Retroactive Enrollment
Iowa Medicaid should be required to retroactively enroll Medicaid beneficiaries who become eligible or enrolled in the program within 90 days following an instance of receiving care, and reimburse the provider for services delivered during the 90-day period.

• The Iowa General Assembly should pass legislation to restore Medicaid retroactive enrollment for hospitals which was eliminated in 2017.
Support “Days Awaiting Placement” Reimbursement

Hospital inpatient psychiatric units are not designed to provide long-term services for patients in need of behavioral health care. However, because of a lack of alternative care settings hospitals must keep patients who cannot be safely discharged to their homes admitted for days, weeks, months or even years, even when the patient no longer meets inpatient criteria. This means that beds that should be used for other patients in need are being occupied by patients who no longer need inpatient care but have nowhere else to go. Under current Medicaid reimbursement policy, hospitals are not reimbursed for care that is provided beyond a certain timeframe, and MCOs are not incentivized to ensure individuals are discharged to the appropriate level of care.

- The Iowa General Assembly should appropriate funding through MCOs to reimburse hospitals a per-diem payment to cover the cost of care for patients who are awaiting placement or discharge.

Medicaid Work Requirements

Recent federal guidance allows states to disqualify Medicaid beneficiaries from the program unless they can prove that they are working or engaged in “work-related activities” for a specified number of hours each month. However, many individuals who rely on Medicaid for their health insurance coverage can’t work due to mental illness, chronic health conditions or other disabilities. Work requirements will make it more difficult for these individuals to maintain coverage and increase administrative burden and compliance costs for providers.

- The Iowa General Assembly should stand by the Department of Human Services’ decision to not implement Medicaid work requirements. The Department recognized that this policy would lead to unnecessary bureaucratic hurdles that patients would have to navigate to maintain their Medicaid coverage.