Non-State Government Operated Hospital and Nursing Facilities
Intergovernmental Transfer Proposal

Guiding Principles

★ Background

Several states have developed intergovernmental transfer (IGT) programs as a means of generating greater federal financial participation in state Medicaid programs. These programs, which must be approved by the federal government, provide the opportunity for non-state government owned or operated (NSGO) hospitals to enter into lease-based contracted arrangements with NSGO nursing facilities (NFs). The contracted arrangements allow the hospital to assume the NF’s license as well as the NF’s Medicaid upper payment limit (UPL) allocation. The partnership generates state-based Medicaid funds that can then be matched by the federal government.

Under these plans, hospitals and NFs utilize the enhanced matching funds to support health care delivery to the state’s Medicaid population.

★ Overview

Because Iowa’s Medicaid program has historically reimbursed hospitals at a rate less than Medicare, IHA has been generally supportive of innovative funding mechanisms that support enhanced payments to hospitals. This support includes the establishment of a hospital provider assessment program in 2010, which actually moved hospital reimbursement rates up to the UPL (or Medicare rates).

IHA believes that this proposal is consistent with the federal government’s requirement that any new payment mechanism allows payment increases up to Medicare rates for nursing facilities. However, as is true with any health care finance-related proposal, there are many complexities that must be identified and addressed prior to developing and adopting a new payment policy. Therefore, any IGT proposal must meet the following guiding principles:

★ Guiding Principles

1. Funds generated by such a program must be allocated to health care-related purposes including but not limited to: strategies aimed at reducing readmissions between NFs and hospitals; improvements to quality and access to care; and/or investments in nursing home/hospital infrastructure.
2. The plan should not contain a “clawback” provision consistent with federal regulations. A clawback provision would allow the state to keep a portion of the matching dollars.
3. The program should be budget neutral to the state and all funds received and matched must be paid back out to providers.
4. The program must demonstrate an ability to function accurately under the state’s Medicaid managed care initiative and existing hospital and nursing facility provider assessment programs. Program funds will be held in fund separate from the general fund, and shall not be used to calculate capitation rates for managed care organizations.
5. Any plan should be constructed to allow as many hospitals as possible to participate and should incent local provider arrangements between hospitals and NFs. For example, no individual hospital should have more than 10 percent of the state’s NF market. This will not only encourage local care delivery, but also allow for an equal benefit for all providers.
6. Since the hospital will agree to assume the NFs license, the plan must include hold-harmless language to protect hospitals from any liabilities incurred on the part of the contracted NF.
7. There must be a sunset provision on the plan to evaluate its impact on Iowa’s hospitals and overall health care system within three years after implementation.
8. The plan must receive federal approval through the State Plan Amendment process.