Background
As Iowa’s tax revenue grows at a slower rate than projected, the Iowa General Assembly has been faced with a number of challenging decisions concerning the state’s budget. As a result, the Legislature passed several Medicaid “cost containment” strategies that cut nearly $100 million in Medicaid reimbursement to Iowa health care providers.

These reductions are being applied to the state’s Medicaid program which remains under significant stress as the continued implementation of managed care remains a major challenge for Medicaid beneficiaries, hospitals and other health care providers.

Position: The Legislature must commit to restoring funds to the Medicaid program and oppose any further reductions.

Erosion of Medicare and Medicaid reimbursement threatens access to health care services.
• In 2015, more than 1/3 of Iowa’s 118 hospitals reported a flat or negative operating margin ranging from 0 to -22 percent.
• Low reimbursement rates are leading to physician and nurse shortages in Iowa that threaten the long-term viability of access to services.

When Medicaid doesn’t cover the cost of delivering care, hospitals absorb the costs in the form of bad debt and charity care.
• From January to April 2017, hospitals reported a 20 percent increase in charity care compared to the same timeframe in 2016 which is indicative of significant underpayment.
• These losses inevitably translate into a cost-shift to the private sector which drives up health insurance costs and negatively impacts hospitals’ ability to react to public health needs and invest in community services.
Action Needed

Restore Funding to Medicaid and Oppose Further Reductions

The Legislature must commit to restore funds eliminated from the Medicaid program in 2017. IHA strongly opposes any further cost containment proposals seeking to reduce Medicaid funding.

Iowa hospitals have always supported efforts to transform the delivery system and are proud of their ability to provide high-quality, low-cost, efficient health care services to all Iowans. However, regulatory burdens and budget reductions leave hospitals in a fiscally vulnerable position – hospitals must provide patient care with little or no reimbursement for these services. This ultimately results in increased health insurance costs and a smaller array of vital health services in Iowa communities.

Combining the cuts passed in 2017 with the ongoing concerns surrounding the state’s implementation of Medicaid managed care leaves Iowa’s community hospitals in a compromised financial position that threatens access to health care services that some of Iowa’s most vulnerable citizens rely on.

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 Iowa’s communities thrive by providing adequate salaries and benefits to the more than 71,000 hospital employees across the state.

Federal Impact on State Policy

The Legislature should maximize federal funding opportunities through increased investment in Medicaid and oppose policies aimed at reducing federal participation in the program.

One of the state’s major problems is the low Medicare and Medicaid reimbursements received by Iowa hospitals and physicians. Simply put, every time a hospital cares for an Iowan covered by Medicare or Medicaid, the hospital loses money providing that care. Because Iowa hospitals receive about 60 percent of their income from Medicare and Medicaid, the losses are enormous.

Losses from Medicare and Medicaid impact the entire health care system. The shortfalls make it harder for Iowa hospitals to compete for nurses and doctors, who are already in short supply.

The State receives a nearly 2-for-1 match from the federal government for every dollar it invests into the Medicaid program. Investing more state dollars in the Medicaid program is the single most effective action Iowa can take to increase overall health care funding and positively impact insurance costs for families and small businesses.

As policy makers in our nation’s capital continue to debate the topic of health care, it’s important for the Iowa General Assembly to recognize the complex interplay between the state and federal governments and the health care community and oppose any attempts to reduce funding for the Medicaid program.

80 rural hospitals across the United States have closed since 2010 due to financial pressures.