



Iowa Department of Human Services

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INFORMATIONAL LETTER NO.1139

DATE: June 21, 2012

TO: Chief Financial Officers (CFOs) of Hospitals qualifying to receive Medicaid Disproportionate Share (DSH) Payments during SFY 2009

FROM: The Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

RE: Independent Audits of DSH Payment Programs

Section 1923(j)(2) of the Social Security Act (the Act) requires states to have their Medicaid DSH programs independently audited each year. Iowa Medicaid has contracted with the Office of the Auditor of State (AOS) to perform this audit.

This required annual audit will commence in July 2012 and is applicable for payments that were received in state fiscal year 2009 (July 1, 2008, through June 30, 2009). The audit report must be completed and submitted to the Centers for Medicare and Medicaid Services (CMS) by December 30, 2012.

The audit will verify:

- ✓ The extent to which hospitals reduced uncompensated care costs to reflect the total expenditures claimed under section 1923 of the Act;
- ✓ That DSH payments to each hospital complied with the applicable hospital-specific limit;
- ✓ That only the uncompensated care costs of providing inpatient and outpatient hospital services to Medicaid-eligible and uninsured individuals as described in section 1923(g)(1)(A) of the Act were included in the calculation of the hospital-specific limits;
- ✓ That all Medicaid payments, including supplemental payments, were included in the calculation of the hospital-specific limits; and
- ✓ That there is separate documentation and records being retained of: (1) all costs under the Medicaid program, (2) expenditures claimed under the Medicaid program, (3) uninsured costs used to determine payment adjustments under section 1923 of the Act, and (4) any payments made on behalf of the uninsured from payment adjustments under section 1923 of the Act.

During the state fiscal year 2008 audit conducted last year, the AOS noted the following:

- **Supporting Documentation:** Hospitals are required to maintain appropriate documentation in support of the data elements used in determining DSH qualifications and payments. At least one hospital's total uncompensated care costs could not be verified and another hospital's documentation did not support the Low Income Utilization Rate (LIUR) or the Medicaid Inpatient Utilization Rate (MIUR).

- **Dual Eligibility:** Costs of dual eligibles (i.e., Medicare and Medicaid) were added to the annual DSH survey conducted by the IME Provider Cost Audits and Ratesetting Unit. These costs must be included to determine which hospitals qualify to receive DSH payments.

NOTE: As mentioned in previous Informational Letters, beginning in calendar year 2014, for the 2011 DSH audit; hospitals may be subject to repayment of DSH funds not supported by appropriate documentation.

The IME has made information and documentation available to the AOS that is being maintained at the IME (i.e., Medicaid costs and Medicaid expenditures for SFY 2009). However, the IME does not regularly collect some of the information, such as specifics on uncompensated care costs. In order for the AOS to fulfill its audit obligation, their staff has requested that you send in documentation for them to audit. The AOS has given hospitals until July 9, 2012, to provide the documentation.

The AOS will be contacting you with requests for various supporting financial information related to this audit. They will be available to answer your questions at that time. Actual site visits, if applicable, will be arranged following their initial contact.

If you have any questions please contact the IME Provider Services Unit at 1-800-338-7909, or locally in Des Moines at 515-256-4609 or email at imeproviderservices@dhs.state.ia.us.

