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February 6, 2007

The Honorable Ro Foege
The Honorable Jack Hatch
Members of the HHS Appropriations Subcommittee

Dear Representative Foege, Senator Hatch, and Subcommittee Members:

The opportunity to comment on behalf of the University of Iowa Hospitals and Clinics and Carver College of Medicine regarding draft legislation pertaining to changes to the health care system is much appreciated. Per the instructions accompanying the invitation, the comments have been limited to Division II of the bill. These comments appear in *italics* after the text of each section.

6 1 DIVISION II
6 2 MEDICAID, HAWK=I, AND IOWACARE WELLNESS INITIATIVES ==
6 3 FULLY FUNDING THE MEDICAL ASSISTANCE PROGRAM

6 4 Sec. 4. Section 249A.3, subsection 2, Code 2007, is
6 5 amended by adding the following new paragraph:
6 6 **NEW PARAGRAPH**. l. Individuals whose children are eligible
6 7 for medical assistance and whose family incomes are at or
6 8 below 50 percent of the federal poverty level as defined by
6 9 the most recently revised poverty income guidelines published
6 10 by the United States department of health and human services.

This population is already eligible for IowaCare. On a positive note, adding these people to Medicaid will provide more locations for coverage since the provider network is limited under IowaCare. A tradeoff is that granting Medicaid eligibility will immediately disqualify someone from IowaCare and the complimentary transportation provided by the University of Iowa Hospitals and Clinics. Adding these people to Medicaid could also facilitate access to an intermediate level of care since IowaCare does not cover such services, although there are cost implications for the State. In addition, there are premium expenses under IowaCare for these people, except for those with incomes below 10 percent of the Federal Poverty Level, which will cease to exist under Medicaid so the state may experience some minor loss in revenue. The State will also be required to pay more for care since Medicaid reimburses physicians for services and IowaCare does not. Such an outcome is likely to be favored by IowaCare network providers who may now see these patients under Medicaid.

Questions may also be raised about the fairness of such a policy and the perverse incentives it could create. Individuals in this income range but without children would be barred from enrollment in Medicaid. Having a child that would be covered by Medicaid, however, could open the door to coverage for all. There may be merits to providing the Medicaid coverage option to all in this income range, regardless of the presence of children in the household, and you are encouraged to do so.

6 11 Sec. 5. **NEW SECTION**. 249A.19A HOSPITAL REIMBURSEMENT.
6 12 Beginning July 1, 2007, the department shall reimburse
6 13 hospitals as defined in section 135B.1 for provision of
6 14 services under the medical assistance program at the
6 15 reimbursement rate allowed under the Medicare program for the
6 16 same service, subject to the medical assistance program upper
6 17 payment limit. The reimbursement rate shall be adjusted
6 18 annually, on July 1, in accordance with the requirements of
6 19 this section and shall provide for reimbursement that is not
6 20 less than the reimbursement provided under the Medicare
6 21 program, subject to the medical assistance program upper
6 22 payment limit.

This change may prove beneficial to many Iowa hospitals. Unfortunately for the University of Iowa Hospitals and Clinics, it would result in a loss in excess of $5 M annually on just the UIHC's Iowa Medicaid book of business. The impact on the UIHC will be even greater when the impact of assessing the value of services provided under IowaCare at the lower rates is included. Staff within the Iowa Medicaid Enterprise have concurred with these estimates and conclusions.

The loss would occur due to the nature of services provided at the UIHC, which tend to be more specialty-oriented than most other Iowa hospitals as evidenced by our higher case mix, and the low Medicare reimbursement for specialty care. An example on the inpatient side would be DRG 386, "Extreme Immaturity or Respiratory Distress Syndrome of Neonate" which would pay $24,042 under Medicare rates vs. the current $55,891 Iowa Medicaid Rate. A radiology example on the outpatient side is CPT 73221 (MRI – Upper Extremity), which would be reimbursed at $340.39 under Medicare and at $929.42 under current Medicaid rates.

The UIHC does not object to other hospitals benefitting from a change in Medicaid reimbursement but strongly requests that it not be disadvantaged, particularly given our belief there is no intent to harm any Iowa hospital with this proposal. An annual reduction in Medicaid payments in excess of $5M annually with no corresponding decrease in the quantity or quality of services provided would most definitely have significant negative consequences on operations at the UIHC. Please give consideration to mechanisms to hold the UIHC harmless should Sec. 5 be adopted.

6 23 Sec. 6. Section 249J.6, subsection 1, paragraph e, Code
6 24 2007, is amended to read as follows:
6 25 e. ~~Limited pharmacy benefits provided by an expansion~~
6 26 ~~population provider network hospital pharmacy and solely~~

6 27 ~~related to an appropriately billed expansion population~~
6 28 ~~service~~ **Medically necessary pharmaceutical benefits**.

The University of Iowa Hospitals and Clinics and Carver College of Medicine have long advocated for a pharmacy benefit under IowaCare. Currently Broadlawns Medical Center and the University of Iowa Hospitals and Clinics are providing an IowaCare pharmaceutical benefit at their own expense. The long-term feasibility of this practice is uncertain.

The UIHC Department of Pharmaceutical Care has worked diligently at controlling medication costs under our Pilot Prescription Program by:

- *Limiting the medications provided primarily to generic medications on the UIHC formulary.*
- *Limiting brand-name medications to one thirty-day supply per medication per patient.*
- *Directing pharmacists to intervene to recommend more cost-effective options whenever possible.*
- *Referring patients requiring a brand-name medication to the UIHC Medication Assistance Center, where options for other assistance, including participation in manufacturer medication assistance programs, are explored.*
- *Purchasing medications at low cost due to participation in the Federal 340B program.*

Through December, 2006, the UIHC spent approximately $1.5 million providing medications to IowaCare patients under the pilot program. This number includes the cost of drugs, personnel and shipping/mailing costs for sending refills to patients at their residence. The estimated cost through the end FY07 is anticipated to be around $4 M total. This number may be helpful in projecting the anticipated cost of this benefit expansion.

If the proposed changes regarding medically necessary pharmaceuticals take effect, it is assumed that prescriptions would be provided under the current Medicaid provisions utilizing the Medicaid Preferred Drug List (PDL) by pharmacies throughout Iowa. As the Medicaid PDL often contains brand-name medications, it is likely that the amount the state pays to pharmacies for providing the services would be significantly higher than the UIHC's figures previously cited.

Finally, it has been proposed that the IowaCare program be decentralized to allow patients to be seen by providers across the state. Just so no one is surprised, it is important you are aware that the UIHC will not be able to fill prescriptions for patients seen by non-UIHC providers because we are bound by requirements for participation in the Federal 340B Disproportionate Share Program:

- *The covered entity (UIHC) must **maintain records** of health care services for the individual;*
- *The individual must receive care from a health care **professional** who is **employed by** or **under contract** or other arrangements with the covered entity; and*
- ***Responsibility** for the care provided must remain with the covered entity.*

Consideration should also be given to adding durable medical equipment (DME) as a covered benefit under IowaCare. DME is currently not a covered benefit but is temporarily available as part of the UIHC's pilot program in FY 07.

Sec. 7. Section 249J.8, subsection 1, Code 2007, is amended to read as follows:

1. ~~Beginning July 1, 2005, each~~ **Each** expansion population member whose family income equals or exceeds one hundred percent of the federal poverty level as defined by the most recently revised poverty income guidelines published by the United States department of health and human services shall pay a monthly premium not to exceed one=twelfth of five percent of the member's annual family income ~~, and each.~~ **Each** expansion population member whose family income is **equal to or** less than one hundred percent of the federal poverty level as defined by the most recently revised poverty income guidelines published by the United States department of health and human services shall ~~pay~~ **not be subject to payment of** a monthly premium ~~not to exceed one=twelfth of two percent of the member's annual family income~~. All premiums shall be paid on the last day of the month of coverage. The department shall deduct the amount of any monthly premiums paid by an expansion population member for benefits under the healthy and well kids in Iowa program when computing the amount of monthly premiums owed under this subsection. An expansion population member shall pay the monthly premium during the entire period of the member's enrollment. Regardless of the length of enrollment, the member is subject to payment of the premium for a minimum of four consecutive months. However, an expansion population member who complies with the requirement of payment of the premium for a minimum of four consecutive months during a consecutive twelve=month period of enrollment shall be deemed to have complied with this requirement for the subsequent consecutive twelve=month period of enrollment and shall only be subject to payment of the monthly premium on a month=by=month basis. Timely payment of premiums, including any arrearages accrued from prior enrollment, is a condition of receiving any expansion population services. Premiums collected under this subsection shall be deposited in the premiums subaccount of the account for health care transformation created pursuant to section 249J.23. An expansion population member shall also pay the same copayments required of other adult recipients of medical assistance.

The decision whether or not to charge premiums and the appropriate levels of any premium charged are relevant to considerations regarding potential barriers to access and utilization of services. Facilitating access to health care is a worthy goal, but comes at a cost. Given IowaCare is required to operate under federal financial participation constraints, it is

important that calculations of the financial implications be performed to project the impact of the changes relative to the constraints. Such calculations are not easy, however, as facilitating greater numbers of people having earlier access to health care is likely to have beneficial consequences on future health care expenditures.

7 33 Sec. 8. Section 514I.5, subsection 8, paragraph e, Code
7 34 2007, is amended by adding the following new subparagraph:
7 35 **NEW SUBPARAGRAPH**. (15) The use of bright futures for
8 1 infants, children, and adolescents program as developed by the
8 2 federal maternal and child health bureau and the American
8 3 academy of pediatrics guidelines for well=child care.

It is appropriate to add the use of bright futures to the HAWK-I program.

8 4 Sec. 9. IOWACARE PROVIDER NETWORK EXPANSION. The
8 5 director of human services shall aggressively pursue options
8 6 to expand the expansion population provider network for the
8 7 IowaCare program pursuant to chapter 249J. The department may
8 8 expand the expansion population provider network if sufficient
8 9 unencumbered certified local matching funds are available to
8 10 cover the state share of the costs of services provided to the
8 11 expansion population or if an alternative funding source is
8 12 identified to cover the state share.

Expansion of the IowaCare provider network is a laudable goal. HF 841, Sec. 9(3)(a)&(b) specifically addressed this possibility. The bill specified, "a. The department shall not expand the expansion population provider network unless the department is able to pay for expansion population services provided by such providers at the full benefit recipient rates." It further specified, "b. The department may limit access to the expansion population provider network by the expansion population to the extent the department deems necessary to meet the financial obligations to each provider under the expansion population provider network. This subsection shall not be construed to authorize the department to make any expenditure in excess of the amount appropriated for benefits for the expansion population."

The University of Iowa Hospitals and Clinics and Carver College of Medicine do not object to an expansion of IowaCare network providers, in fact, we support an expansion. We request, however, if physicians or other practitioners are to be paid for delivering care to IowaCare beneficiaries, physicians and other practitioners working in institutions that are under the responsibility of the Board of Regents be reimbursed for services at the same rates. Carver College of Medicine physicians forwent approximately $10 M at Iowa Medicaid reimbursement rates for services provided to IowaCare beneficiaries in FY 06 and are projected to forgo even more in FY 07. It is further advised that the limits on federal financial participation be carefully considered. The UIHC required a supplemental appropriation during the first year of the IowaCare program and will require a supplemental appropriation of approximately $9 M based on discussions with the Department of Human Services if services are to be maintained and fully reimbursed throughout FY 07. Estimates

should be prepared, if they have not been already, relative to the anticipated impact on utilization of services under IowaCare if the provider network is expanded.

If the provider network is expanded, the law should include a stipulation that patients can only be transferred to UIHC by another network provider if the care cannot be provided by the original provider.

8 13 Sec. 10. MEDICAL ASSISTANCE == IOWACARE APPROPRIATION.
8 14 In addition to any other appropriation for the purpose
8 15 designated, there is appropriated from the health care
8 16 improvement fund created in section 453A.35A to the department
8 17 of human services for the fiscal year beginning July 1, 2007,
8 18 and ending June 30, 2008, the following amount, or so much
8 19 thereof as is necessary, for the purpose designated:
8 20 For medical assistance reimbursement to hospitals,
8 21 expansion of the Medicaid program to parents of children at or
8 22 below 50 percent of the federal poverty level, provision of
8 23 pharmaceutical benefits under the IowaCare program pursuant to
8 24 chapter 249J, and utilization of the bright futures for
8 25 infants, children, and adolescents program and associated
8 26 costs:
8 27 ..... $ 30,100,200

The University of Iowa Hospitals and Clinics requests the calculation of the funding associated with medical assistance reimbursement for hospitals also include the means to hold the UIHC harmless from the negative impact of reimbursing Medicaid services at Medicaid rates. Funds for reimbursing all IowaCare network physicians, including those under employment by the Board of Regents, for services provided to IowaCare beneficiaries should also be included.

Please let me know if you have any questions about the comments provided here and/or if feedback on other divisions of the draft bill is desired. Thank you again for the opportunity to provide input.

Cordially,

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