



Iowa's Medicaid managed care hospital directed payment program

In 2016, the Centers for Medicare and Medicaid Services (CMS) issued rules allowing states, under certain circumstances, to direct Medicaid managed care organizations (MCOs) to provide supplemental payments for advancing state health care priorities. State directed payment programs help health care providers address Medicaid payment shortfalls, expand access to care, and sustain essential services, particularly in rural and underserved areas.

The Iowa Department of Health and Human Services applied for CMS approval of its Medicaid managed care hospital directed payment program in early 2023. It was approved later that year and hospitals received their first payment in March 2024.

The program aligns with the state's Medicaid strategy to improve care access and quality for Medicaid managed care beneficiaries.

The program's quality measures include:

- Reducing all-cause 30-day hospital readmissions
- Reducing primary C-section rates
- Increasing follow-up appointments after hospitalizations for mental illness

In fiscal year 2024, Iowa's program provided more than **\$950 million in supplemental payments**, allowing hospitals statewide to invest in services that improve health for the patients and communities they serve.

Prior to the program's approval, Iowa's hospitals had not had a Medicaid rate increase since 2013. Supplemental payments from the state's hospital directed payment program have been a financial lifeline, especially for many hospitals operating with negative or minimal margins.

Frequently Asked Questions

Why is the program essential?

- Iowa HHS has enrolled over 700,000 Iowans in the state's Medicaid program.
- On average, Medicaid accounts for 16% of Iowa hospitals' payor mix.
- In total, government payors – Medicaid, Medicare and Medicare Advantage – comprise an average of 60% of Iowa hospitals' payor mix.
- Higher Medicaid payments can attract more providers to serve Medicaid patients and improve care access for the broader community.

Can hospitals increase charges to non-Medicaid payors to cover the cost of their assessment?

- No. Iowa law prohibits hospitals from knowingly passing on the cost of their assessments to non-Medicaid payors.

How much funding does each hospital receive?

- The amount each hospital receives is based on a methodology approved by CMS.
- CMS requires the payments to be based on each hospital's Medicaid managed care inpatient and outpatient utilization.

How do hospitals receive the payments?

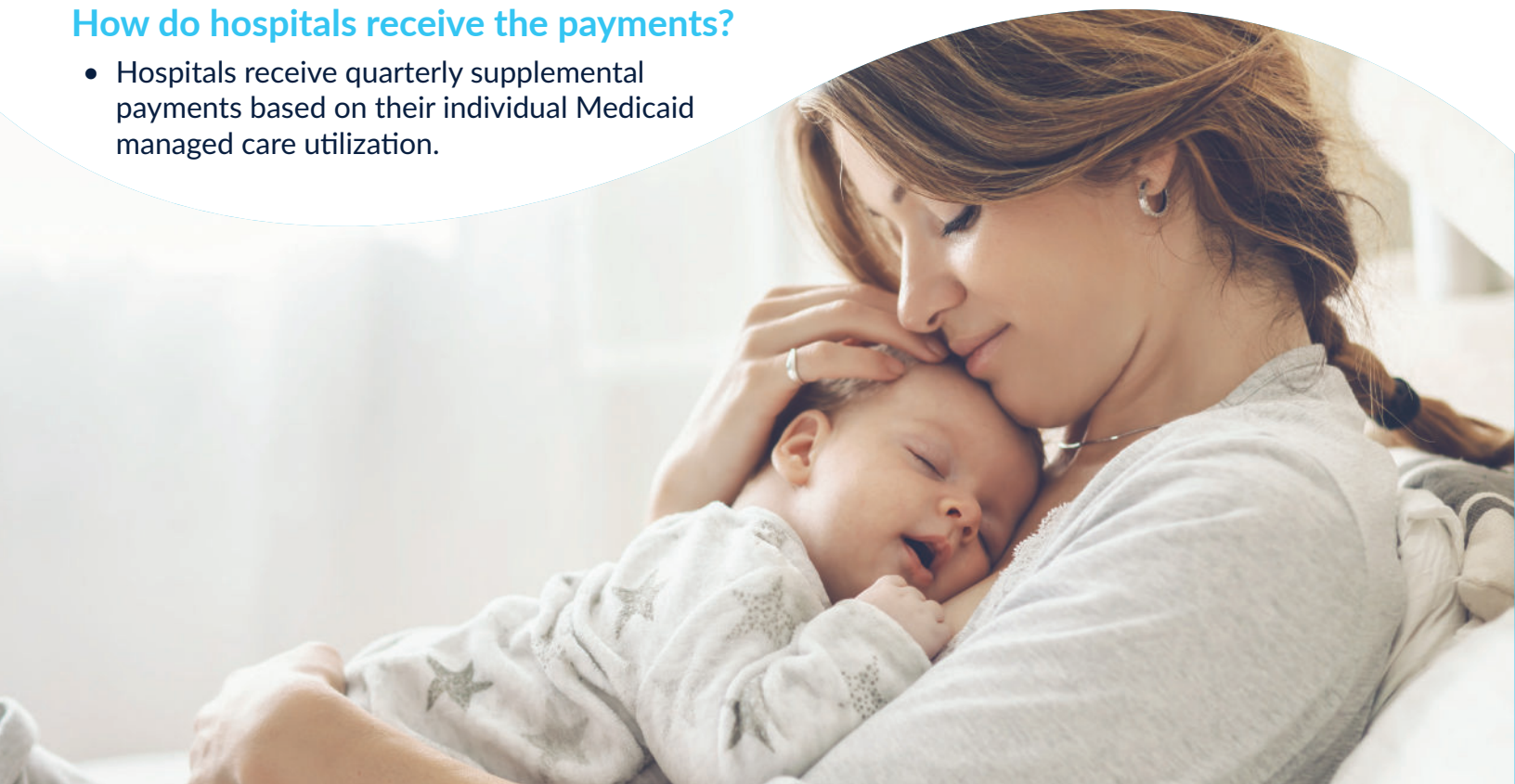
- Hospitals receive quarterly supplemental payments based on their individual Medicaid managed care utilization.

Is the program permanent?

- No. Iowa HHS must reapply to CMS annually to renew the program.
- CMS approved Iowa's program for state fiscal years 2024 and 2025.
- Iowa HHS has submitted the SFY 2026 program renewal application to CMS.

How does the program promote quality?

- CMS requires that the program align with the state's Medicaid quality strategy to improve access and quality for Medicaid managed care enrollees.
- The program's quality measures are readmissions, primary C-sections, and behavioral health follow-up visits.
- CMS expects to see improvement in these quality measures. Although Iowa HHS will report performance to CMS at the statewide aggregate level, each hospital's quality performance does affect statewide performance.



Improving Care Access and Quality for Iowans

Iowa's Medicaid managed care directed payment program has had a positive impact on the state's hospitals and the people and communities they serve. This funding must be preserved to sustain access to care for Iowans and ensure the financial viability of our hospitals, particularly those in rural areas of the state.

With obstetrics volumes increasing significantly over the last year, **Boone County Hospital** invested funds to recruit an additional family practice physician who provides obstetrics services, including deliveries and C-sections, and a certified nurse midwife. The hospital also bought additional fetal monitoring and infant warming equipment to accommodate more births. Additionally, salary increases for registered nurses in the Family Birth Center have improved its ability to recruit and retain qualified nurses.

Although it no longer operates a labor and delivery unit, **Grundy County Memorial Hospital** in Grundy Center is investing some program funding to provide education and training for its emergency department staff so they are prepared to support laboring mothers in the emergency department safely manage spontaneous births. The hospital has also secured equipment to support the health and well-being of newborns.

Mahaska Health in Oskaloosa has experienced a 102% increase in births since 2021. In 2024, the hospital delivered 267 babies and is on pace to deliver 400 this year. DPP funds have allowed Mahaska Health to invest in OB-GYNs, advanced training for obstetrics nurses, additional staff including certified nursing technicians, and fetal monitoring systems that support enhanced patient safety.

Shenandoah Medical Center launched an overnight labor program that includes an in-house certified nurse midwife who helps review fetal monitoring, oversees laboring patients and manages inductions during the night shift. This addition to the team ensures more-experienced staff are available in the department overnight. It allows physicians to sleep until labor progresses toward delivery, supporting the hospital's physician recruitment and retention efforts and providing exceptional care for mothers and babies.

Stewart Memorial Community Hospital in Lake City credits Iowa's hospital directed payment program for saving its labor and delivery services. Annual losses of more than \$1.5 million were unsustainable, but the program stabilized its operating margin, allowing the hospital to maintain services. Investing in staff was also a priority. The hospital hired more nurses, recruited another family practice/obstetrics physician and retained two general surgeons and three full-time certified registered nurse anesthetists, ensuring provider workforce stability for the community.



Floyd County Medical Center in Charles City strategically invested program funds to implement targeted initiatives that reduce hospital readmissions, including enhanced patient education and medication management. Expanding its transitional care program, the medical center ensures that high-risk patients receive personalized discharge plans and timely follow-up appointments. They have also developed a more integrated post-acute care network that includes skilled nursing facilities, home health agencies and other community organizations.

Floyd Valley Healthcare in LeMars invested a portion of its funding to open a retail pharmacy on its campus, allowing it to implement its Meds-to-Beds Program. The retail pharmacy team visits hospital patients to deliver medications, discuss the importance of adherence and answer questions. Educating patients about their medication before they leave the hospital is a proven strategy to prevent readmissions.

Keokuk County Hospital and Clinics in Sigourney added a staff member in its emergency department to follow up with patients to ensure continuity of care. That staff member also oversees readmissions and other quality measures throughout the organization. Additionally, discharge planners provide education to prepare hospital patients for returning home and schedule their primary care follow-up appointments before they leave the hospital.

WinnMed in Decorah is adding full-time specialists to expand access to local care and has hired a second emergency room provider to reduce wait times and improve patient care. It's also building an expanded-hours urgent care clinic to meet growing demand. Much of this has been possible because of DPP funding, which the hospital credits for making a significant difference in what it can do to serve communities in the region.

Humboldt County Memorial Hospital has invested \$2 million to construct, staff and equip a fee-for-service mental health clinic. It employs eight licensed social workers and counselors, and one psychiatric mental health nurse practitioner. A psychiatrist will join the team later this year. DPP funding has allowed the hospital to provide its region with robust services not typically available in rural areas.

Despite the significant community need for behavioral health care, providing these services wasn't financially viable for **Madison County Health Care System** in Winterset until CMS approved Iowa's hospital directed payment program. When funding began, the hospital committed to implementing psychiatry services in 2025. It has hired a part-time psychiatrist and a full-time counselor. Behavioral health care is critical to health and well-being, and is much needed in the community. DPP funding now makes it possible to provide these services in Madison County.

Ringgold County Hospital in Mt. Ayr has invested DPP funding to enhance behavioral health care delivery and accessibility, from expanding the provider team to offering more-comprehensive support. Telehealth ensures patients in remote or underserved areas can receive timely care, and transportation services make it easier for patients with mobility challenges or logistical barriers to attend appointments. These investments focus on improving patient outcomes, increasing accessibility and addressing the community's growing need for mental health care.

Southeast Iowa Regional Medical Center expanded its inpatient behavioral health units to 20 beds between its Fort Madison and West Burlington campuses. It has also grown its outpatient support services to reduce repeat emergency department visits. The medical center is the only behavioral health provider in the region. Without the directed payment program, these services couldn't be sustained because reimbursement doesn't cover the cost of care.

Waverly Health Center has invested directed payment program funding to expand its behavioral health team and access to care across the region. It's focused on integrating behavioral health services into its family practice and women's health clinics to better serve a shared patient population. The hospital now has a psychiatrist or mental health nurse practitioner, social worker and counselor in three of their family practice clinics, and plans to replicate the model in two other clinics. DPP funding has also made it possible to recruit a nurse practitioner specializing in pediatric behavioral health to work in the pediatric clinic and serve the needs of the area's children.