

**Public Notice**  
**State Plan Amendment (SPA) IA-25-0028**  
**Medicaid Payment Rates for Children's Specialty Hospital**

**Posted:** June 27, 2025

The Iowa Department of Health and Human Services (HHS), pursuant to the requirements outlined in 42 C.F.R. §447.205, hereby gives notice of the following proposed action regarding changes to the reimbursement rates for children's specialty hospitals provided by qualifying hospitals under the State Plan under Title XIX of the Social Security Act Medical Assistance Program (Medicaid).

**Summary of Submission:**

Pursuant to House File (HF) 919, "Children's Specialty Hospital" is defined in Iowa Code 135B.1, subsection 7, as follows:

- The hospital is owned and operated by a nonprofit organization.
- The hospital only serves individuals thirty years of age and younger.
- More than sixty percent of the individuals served by the hospital receive medical assistance under Chapter 249A.
- The hospital specializes in pediatric rehabilitation and treating children with a behavioral health condition or complex medical needs.
- The hospital has no more than two hundred inpatient beds.
- The hospital provides outpatient services.
- The hospital met the definition of a special population nursing facility, as promulgated by rule by the Department of Health and Human Services, prior to July 1, 2025.

HF 919 also requires that beginning for services on or after July 1, 2025, the reimbursement methodology for a children's specialty hospital shall be as follows:

- Inpatient care for a children's specialty hospital is reimbursed prospectively on an average allowable per diem cost adjusted for inflation, based on the hospital's annual cost report submitted to the Department at the end of the hospital's fiscal year. The inflation factor used is the hospital market basket applied from the midpoint of the cost report period to the midpoint of the rate period.
- Outpatient care for a children's specialty hospital is reimbursed prospectively based on the hospital's outpatient Medicaid cost-to-charge ratio, not subject to inflation. Retrospective adjustments will be made based on the annual cost reports submitted to the Department at the end of the hospital's fiscal year. The retroactive adjustment equals the amount by which the reasonable costs of providing covered services to eligible fee-for-service Medicaid recipients (excluding recipients in managed care), determined in accordance with Medicare cost principles, exceeds Medicaid fee-for-service reimbursement received based on the hospital's outpatient Medicaid cost-to-charge ratio.

**Estimated Fiscal Impact:**

The estimated increase in Medicaid fee-for-service (FFS) expenditures for State Fiscal Year (SFY) 2026 related to the budget-neutral outpatient hospital service rebase is:

|                  |      |
|------------------|------|
| Total Dollars:   | \$ 0 |
| Federal Dollars: | \$ 0 |
| State Dollars:   | \$ 0 |

**Public Review and Comments:**

A copy of the SPA-IA-25-0028 and public notice is posted on the HHS website at the following link:

<https://hhs.iowa.gov/public-notice/2025-06-27/public-notice-state-plan-amendment-spa-ia-25-0028-medicaid-payment-rates-childrens-specialty>.

To reach all stakeholders, non-electronic copies will be made available for review at each local HHS office.

**Submission of Comments:**

Written comments may be sent to Becki Wedemeier, Department of Health and Human Services, Iowa Medicaid, 321 E. 12<sup>th</sup> Street, Des Moines, IA 50319 or may be emailed to [becki.wedemeier@hhs.iowa.gov](mailto:becki.wedemeier@hhs.iowa.gov). Please indicate SPA IA-25-0028 in the subject line of the email.

All written and emailed comments must be received no later than July 27, 2025, by 4:30 p.m.

Submitted by:

Rebecca Curtiss, Interim Medicaid Director

Iowa Department of Health and Human Services