

STATE OF IOWA DEPARTMENT OF  
**Health** AND **Human**  
SERVICES

REPORT ON FINANCIAL CONDITION  
OF THE MHDS REGIONAL INCENTIVE  
FUND

AUGUST 2023

# REPORT ON CONDITION OF THE REGIONAL INCENTIVE FUND

THE PURPOSE OF THIS REPORT IS TO SATISFY THE REQUIREMENTS FOUND IN IOWA CODE 2022, SECTION 225C.7A.

§225C.7A.8.i. – On or before March 1 and September 1 of each fiscal year, the department shall provide the governor’s office and the general assembly with a report of the financial condition of the incentive fund. The report shall include but is not limited to an itemization of the funding source’s balances, types and amount of revenues credited, and payees and payment amounts for the expenditures made from the funding source during the reporting period.

## INCENTIVE FUND BALANCE

For the fiscal year beginning July 1, 2022, the incentive fund starting balance was \$3,012,953.71. This amount was inclusive of the initial three million dollars State General Fund appropriation and the balance of the Property Tax Relief Fund transferred upon close-out. No qualifying MHDS region applied to receive incentive funds during state fiscal year 2023.

Iowa Code Section §225C.7A.7 required that each mental health and disability services region with a SFY2022 certified ending fund balance that exceeded forty percent of the actual expenditures shall have remaining quarterly regional service payments reduced by the amount in excess of forty percent. If the region’s remaining quarterly payments were insufficient to effectuate the reduction, the region was required to pay HHS additional excess ending fund balance. The service payments reductions and amounts paid to the department were transferred and credited to the regional incentive fund.

During state fiscal year 2023, quarterly payment reductions totaling \$23,323,914.58 were transferred to the regional incentive fund. An additional \$3,234,623 in payments were credited to the incentive fund from two MHDS regions whose remaining quarterly payments were insufficient to effectuate the reduction. The incentive fund ending balance for fiscal year beginning July 1, 2022, was \$29,571,490.87. The funds remaining in the incentive fund at the end of each fiscal year do not revert to any other fund and remain available for use in subsequent fiscal years.

MHDS REGIONAL INCENTIVE FUND BALANCE			
SFY2023 Start Balance	SFY2023 Qtrly Pymt Withholds	Add'l Excess EFB Owed to HHS	SFY2023 End Balance
\$ 3,012,953.71	\$ 23,323,914.58	\$ 3,234,623	\$ 29,571,490.87

## INCENTIVE FUND REVENUES, PAYEES, AND EXPENDITURES

There were no expenditures to report for the period of 7/1/2022-6/30/2023. Applications to receive incentive funds for state fiscal year 2024 are due on November 15, 2023. Of the fourteen MHDS Regions, only one region meets the basic financial eligibility criteria to apply. To apply for incentive funds a region must meet the criteria outlined in Iowa Code section 225C.7A limiting applications to MHDS regions with an ending fund balance of less than 5% of the actual expenditures for the fiscal year that commenced two years prior:

Region	SFY2022 Ending Fund Balance as a Percent of Expenditures
Polk County Behavioral Health & Disability Services	2%

Polk County BHDS region applied for incentive funds on 6/16/23 with requests totaling \$5,616,061. Requested funds are for the startup and implementation of regional core services; and to maintain ID/DD individuals living in the community. HHS has until December 15, 2023, to provide written notice regarding acceptance or rejection of the application. If approved for funding, HHS shall distribute incentive funds to Polk County BHDS before January 1, 2024.

Regional service payment reductions will continue to grow the incentive fund in state fiscal year 2024, however HHS is not able to project the precise amount of growth. A calculation of estimated revenues can be produced when Regional SFY2023 certified ending fund balances are submitted to HHS on December 1, 2023. Monies transferred and credited to the regional incentive fund are likely to stabilize after SFY2025 as fewer regions exceed the ending fund balance limitations. Concurrently, more regions will meet basic financial eligibility criteria to apply for incentive funds based on their SFY2024 ending fund balances.

HHS continues to work with MHDS Regional Administrators to gain improved insight into near- and long-term projections. SFY2023 regional revenues were reduced as a result of service payment reductions. In response to declining fund balances, FY2024 Annual Service and Budget Plans indicate approximately \$10-million less in spending statewide. The next report due to the governor's office and the general assembly on the condition of the incentive fund is due on or before March 1, 2024.