



[HF 708](#) – Medicaid Reimbursement, Sex Offenders and Nursing Homes (LSB1545HZ.1)
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Fiscal Note Version – As passed by the House

Description

[House File 708](#) requires the Department of Health and Human Services (HHS) to implement a Medicaid reimbursement add-on methodology for individuals who meet nursing facility level of care requirements and are required to register as sex offenders. The reimbursement rate is required to be inflated annually by levels set by a Centers for Medicare and Medicaid Services (CMS) index. Any designated secure nursing unit housing sex offenders is required to be separate from other residents. The HHS is required to implement the Bill no later than January 1, 2024.

Background

Iowa Code chapter [692A](#) establishes requirements for individuals convicted of specific crimes to register as a Tier I, Tier II, or Tier III sex offender, depending on the nature of the offense. A sex offender who resides, is employed, or attends school in the State is required to appear in person in front of the applicable county sheriff within five business days of being required to register as a sex offender and is required to notify the sheriff of any change to information relevant to the offender's residence, employer, or school. The length of registration, with exceptions, is for 10 years or for life.

A sex offender is not allowed to be an employee of a facility providing services to dependent adults but is allowed to be a patient or resident in a health care facility, a participant in a Medicaid Home- and Community-Based Services (HCBS) Waiver Program, or a participant in Medicaid State plan employment services as part of a habilitation plan. 2012 Iowa Acts, chapter [1079](#) (Persons with Mental Health Illnesses and Substance-Related Disorders Act), allows a nursing facility administrator to deny residency to an individual, including after a court order or referral.

Section [1888](#) of the Social Security Act requires the Secretary of the U.S. Health and Human Services Department to adjust the Skilled Nursing Facility (SNF) Prospective Payment System (PPS) federal rates that include an SNF market basket index of goods and services. For calendar year (CY) 2023, the CMS has [enacted](#) a 3.8% increase in the SNF market basket index federal rates for nursing facility reimbursements.

Community-Based Corrections (CBC) provides a range of sanctions as an alternative to prison by supervising offenders within the community, including residential facilities that provide 24-hour supervision in a nonsecure setting. Offenders may be placed in residential facilities by the court, Parole Board, corrections continuum (Iowa Code chapter [901B](#)), or the federal government. Facilities are typically at capacity, and the population, except for sex offenders in need of nursing care, pays rent.

Assumptions

- The number of current sex offenders needing nursing facility care is unknown.

- Any rate changes or new rate tiers implemented by this Bill will be budget neutral unless additional funding is provided.
- According to the HHS, implementation of the Bill requires one-time changes to the Medicaid Management Information System (MMIS) to properly identify claims and pay at tiered rates. Assuming 1,370 additional programming hours at \$103 per hour, the total cost will be \$141,000, 25.0% of which will be State funding.
- According to the HHS, an existing wing of a privately administered nursing facility would be renovated to house 12 persons who are on the sex offender registry. The ability to house up to 95 persons on the sex offender registry would occur in multiple facilities across the State.
- Capital costs for a renovation to house 12 persons on the sex offender registry equal \$400,000, and capital costs to house 95 persons on the sex offender registry equal \$3.2 million. Costs are expected to be from non-Medicaid State sources.
- According to the HHS, average daily costs for two additional aides and three security employees to administer a new 12-person nursing facility wing equal \$142 per day (or \$52,000 annually per occupied bed) in rate add-on costs beyond existing nursing, supply, food, capital, and administrative costs, which average \$247 per day. The rate add-on cost to administer a 12-person facility for sex offenders is approximately \$620,000, with the State paying \$224,000, or 36.1% of costs, equal to State Fiscal Year (SFY) 2024 Federal Medical Assistance Percentage (FMAP) rates. The rate add-on cost to administer 95 beds across the State in multiple facilities is expected to cost \$4.9 million total, with the State paying \$1.8 million.
- Staff costs for the 12-person, 48-person, and 95-person ranges will not begin until January 1, 2024, creating a 50.0% reduction in all staff expenses in FY 2024.
- SFY 2025 FMAP rates equal 64.1%, with State costs equal to 35.9%.
- Any staff and capital costs to create more or fewer nursing facilities to house sex offenders can be prorated accordingly.
- In addition to 12- and 95-person estimates provided by the HHS, a 48-person estimate for housing sex offenders is calculated in the range estimate of the fiscal impact.
- FY 2025 facility rate add-on costs are inflated by a 3.0% level established by CMS.
- The Department of Corrections (DOC) reported an annual average of 11 incarcerated individuals on the sex offender registry in need of a nursing home level of care who otherwise may be able to reside in a secure nursing home covered by Medicaid. The daily marginal cost per incarcerated individual is \$23. The costs for 11 incarcerated individuals who otherwise might reside in a nursing home total \$94,000 annually, which will be potential cost savings to the DOC. A 50.0% reduction in savings applies to FY 2024 due to the potential implementation date of the Bill.
- The DOC reported an annual average of 12 individuals on the sex offender registry in CBC residential facilities in need of a nursing home level of care who otherwise may be able to reside in a secure nursing home covered by Medicaid. The daily marginal cost per individual in a CBC residential facility is \$20. The costs for 12 individuals in CBC facilities who otherwise might reside in a nursing home total \$88,000 annually, which will be potential cost savings to the DOC. A 50.0% reduction in savings applies to FY 2024 due to the potential implementation date of the Bill.

Fiscal Impact

House File 708 is estimated to cost the State between \$547,000 and \$4.1 million in FY 2024 depending on the number of Medicaid sex offenders housed at nursing facilities. After capital and MMIS costs are expended in FY 2024 and annualization for facility staff occurs, one or more facilities is estimated to cost the State between \$229,000 and \$1.8 million in FY 2025. Details are provided in **Figure 1**.

Figure 1 — Estimated Cost of Medicaid Reimbursement for Sex Offenders

Expense Category	FY 2024		FY 2025	
	Total	State	Total	State
12-Person Facility Rate Add-On	\$ 310,000	\$ 112,000	\$ 639,000	\$ 229,000
12-Person Facility Capital Cost	400,000	400,000	0	0
One-Time Information Technology (IT)	141,000	35,000	0	0
Total Costs — 12-Person Facility	\$ 851,000	\$ 547,000	\$ 639,000	\$ 229,000
48-Person Facility/Facilities Rate Add-On	\$ 1,240,000	\$ 448,000	\$ 2,556,000	\$ 916,000
48-Person Facility/Facilities Capital Cost	1,600,000	1,600,000	0	0
One-Time IT	141,000	35,000	0	0
Total Costs — 48-Person Facility/Facilities	\$ 2,981,000	\$ 2,083,000	\$ 2,556,000	\$ 916,000
95-Person Facility/Facilities Rate Add-On	\$ 2,454,000	\$ 886,000	\$ 5,056,000	\$ 1,813,000
95-Person Facility/Facilities Capital Cost	3,167,000	3,167,000	0	0
One-Time IT	141,000	35,000	0	0
Total Costs — 95-Person Facility/Facilities	\$ 5,762,000	\$ 4,088,000	\$ 5,056,000	\$ 1,813,000

The potential cost savings to the DOC is approximately \$91,000 in FY 2024 and \$182,000 in FY 2025 and thereafter. Potential savings may increase in later years due to the aging prison population.

Sources

Department of Health and Human Services
Centers for Medicare and Medicaid Services
Department of Corrections
LSA analysis

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.