

Mental Health Service System Redesign House File 689

Last Action:
**House Appropriations
Committee**
April 13, 2011

Executive Summary Only

An Act relating to mental health and disability services and substance-related disorders and mental illness commitment proceedings, making appropriations, and including effective date provisions.

**Fiscal Services Division
Legislative Services Agency**

NOTES ON BILLS AND AMENDMENTS (NOBA)

Available on line at <http://www3.legis.state.ia.us/noba/index.jsp>

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**EXECUTIVE SUMMARY
NOTES ON BILLS AND AMENDMENTS**

**HOUSE FILE 689
MENTAL HEALTH SERVICE SYSTEM REDESIGN**

**BILL SUMMARY
DIVISIONS I & II**

House File 689 specifies the intent of the General Assembly to redesign the Mental Health, Intellectual Disabilities, Developmental Disabilities, and Brain Injury Services system over the next several years, with the Department of Human Services (DHS) assuming responsibility for administration of the Mental Health Services for adults beginning July 1, 2012.

The Legislative Council is requested to authorize a legislative interim committee to meet during the 2011 Interim to develop a plan for implementing the redesigned Mental Health Services System for children and adults. The plan is to include the following:

- Defining characteristics of the service population.
- Defining core services to be delivered by providers in a manner that promotes cost-effectiveness, uniformity, accessibility, and best practice approaches.
- Defining outcome measures that focus on consumer needs.
- Developing quality assurance measures, provider accreditation, certification, or licensure requirements.
- Developing a proposal for treatment services in the State to meet the needs of children currently being placed out of State.
- Developing a proposal for implementing the delivery of regionally-coordinated and community-based information and referral, options counseling, care coordination, and targeted case management services.

The DHS and the Department of Public Health (DPH) are required to work with stakeholders to develop a proposal with the above recommendations to share with the Legislative Interim Committee. In addition, the workgroup is required to develop proposals addressing co-occurring mental health and substance abuse disorders, and barriers to recruiting providers.

The Bill specifies the intent of the General Assembly to redesign the Intellectual Disabilities, Developmental Disabilities, and Brain Injury Services during the 2012 Interim using the same criteria set out above for the Mental Health Services redesign.

The Bill requires the continuation of the workgroup by the Judicial Branch and DHS to improve the process for involuntary commitment for chronic substance abuse under Code Chapter 125 and serious mental illness under Code Chapter 229.

The Bill requires the DHS, DPH, and Community Services of the Iowa State Association of Counties (ISAC) to agree on implementation provisions for an integrated data and statistical information system for Mental Health Services, Disability Services, and Substance Abuse Services. The two Departments and ISAC are to report back to the Governor, Health and Human Services Appropriations Subcommittee, and the LSA on or before December 15, 2011.

**EXECUTIVE SUMMARY
NOTES ON BILLS AND AMENDMENTS**

**HOUSE FILE 689
MENTAL HEALTH SERVICE SYSTEM REDESIGN**

DIVISION III

Division III makes changes related to Psychiatric Medical Institutions for Children (PMIC). The Division adds Advanced Registered Nurse Practitioners to professional care teams. The Division also moves PMIC reimbursement to managed care beginning in FY 2013. The DHS is also required to work with the Department of Inspections and Appeals to develop a second level of PMIC care for children that need more intensive treatment. The number of beds for level two PMIC care is limited to 60 beds.

DIVISION IV

Division IV requires the Department to issue an RFP to implement Medicaid Medication Therapy Management (MTM) for individuals that take prescription drugs for chronic mental illness or for individuals that take four or more prescription drugs to treat two or more chronic medical conditions. Implementation of MTM is to begin in FY 2013.

DIVISION V

Division V rewrites statutory language relating to the licensing and accreditation of Community Mental Health Centers.

DIVISION VI

Division VI relates to Substance Abuse and renames the terms “chemical dependency,” “chronic substance abuser,” and “substance abuser,” to “person with a substance-related disorder.” The Division also provides for Substance Abuse Advocates for persons committed due to a substance-related disorder.

APPROPRIATION

House File 689 appropriates \$50,000 to the DHS for planning costs associated with implementation of system redesign. The Bill also credits the \$20.0 million appropriated to the Property Tax Relief Fund in SF 209 (Tax Changes and Supplemental Appropriations Act) to the Mental Health Risk Pool to be distributed to counties.

**FISCAL IMPACT
DIVISION I**

The fiscal impact for this Bill cannot be determined because there is not enough detail on core services, populations that will be served, or how a State-administered Mental Health System will be set up. The Bill also does not specify the General Assembly’s intent for the \$125.8 million in property taxes currently levied by the counties and when they will assume responsibility for that funding.

**FISCAL IMPACT
MEDICAID**

County-funded Medicaid costs are projected to increase from an estimated \$156.5 million in FY 2011 to an estimated \$214.1 million in FY 2012. The increase in cost is mainly due to one-time American Recovery and Reinvestment Act (ARRA) Federal Medical Assistance Percentage (FMAP) match savings expiring at the end of FY 2011 and a declining regular FMAP rate as Iowa performs better economically compared to the rest of the country. Regardless of any changes in this Bill, because county revenue sources are capped, the State will need to assume the increased Medicaid costs to avoid disability services waiting lists and cuts in non-Medicaid funded services. It is estimated that counties will have \$41.8 million in fund balances to help offset increased Medicaid costs FY 2012. Although no date is set in the Bill for the State to

**FISCAL IMPACT
ADMINISTRATION**

assume funding of Medicaid expenditures, if the State were to assume Medicaid costs beginning in FY 2013, the estimated need will be \$226.7 million. When compared to the to FY 2011 Allowed Growth, Property Tax Relief, and Community Services appropriations totaling \$145.3 million the State will retain under this Bill to pay for those services, the State will need an additional \$81.4 million in FY 2013 to fully fund Medicaid.

It is assumed there will be increased administrative costs for the first several years under this plan with the State assuming responsibility for mental health services and the counties still managing all other disability services. In the long term, the State should see savings in administration since there are currently 77 Central Point of Coordination administrators, administering different levels of service in most counties.

**FISCAL IMPACT
PSYCHIATRIC MEDICAL
INSTITUTIONS FOR CHILDREN**

Division III creates a new higher level (level two) of care with increased reimbursement for PMICs. The Bill authorizes up to 60 of these new level two beds with a goal of bringing some kids back from out of State. The estimated cost for 12 level two beds at an additional \$300 per bed day is \$1.3 million total dollars and the State share will be \$512,000. If all 60 authorized beds were filled, the total cost will be \$6.6 million and the State share will be \$2.6 million. A portion of the increased cost will be offset by bringing children back from out-of-State placement and could cost as much or more than a level two bed in Iowa. The State currently spends \$2.5 million (\$1.0 million State share) to send children to out-of-State PMICs. Division III also restores the 5.00% rate reduction received by the PMICs beginning in FY 2010. The cost of restoring this reduction is \$324,000 for FY 2012.

**FISCAL IMPACT
MEDICATION THERAPY
MANAGEMENT**

It is assumed that implementing an MTM Program under Medicaid for individuals with chronic mental illness will result in significant cost savings to the State. Other MTM programs have been shown to reduce costs and improve patient outcomes by better managing chronic illnesses. This reduces emergency room visits and helps avoid more costly procedures.

**FISCAL IMPACT
SUBSTANCE ABUSE ADVOCATES**

Section 58 requires every county to have a Substance Abuse Advocate to help represent the interests of a person with a substance-related disorder in matters relating to commitment for treatment. Counties are currently required to provide similar advocate services for mental health commitments. Counties paid \$910,000 for mental health advocate services in FY 2010.

FISCAL IMPACT: It is estimated that there are approximately one-third to one-half the number of substance abuse commitments as compared to mental health commitments. Based on this assumption, adding the substance abuse advocate requirement will cost counties approximately \$303,000 to \$455,000 per year beginning in FY 2013. No funding has been provided to the counties for this provision.