



MINUTES

Mental Health and Disability Services Funding Study Committee

Friday, December 14, 2018

MEMBERS PRESENT

Senator Jeff Edler, Co-chairperson
Senator Joe Bolkcom
Senator Mark Costello
Senator Amanda Ragan
Senator Mark Segebart

Representative Joel Fry, Co-chairperson
Representative Timi Brown-Powers
Representative Gary Carlson
Representative Lisa Heddens
Representative Shannon Lundgren

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CONTENTS

- I. Procedural Business**
- II. Introductory Comments from Co-chairpersons**
- III. Department of Human Services Update and Reports**
- IV. Mental Health and Disability Services Regions**
- V. County Board of Supervisors**
- VI. Public Comment**
- VII. Committee Discussion**
- VIII. Materials Filed With the Legislative Services Agency**



Mental Health and Disability Services Funding Study Committee

I. Procedural Business

Call to Order and Adjournment. The Mental Health and Disability Services Funding Study Committee (committee) was called to order at 9:03 a.m. on December 14, 2018, in Room 103, Supreme Court Chamber, of the State Capitol. The meeting was adjourned at 12:29 p.m.

Approve Minutes. A motion to approve the committee's minutes from the October 5, 2018, meeting was made by Representative Fry. The minutes were approved.

II. Introductory Comments from Co-chairpersons

Introductory Comments. Co-chairpersons Fry and Edler each made introductory comments. Senator Edler reviewed the charge of the committee. Representative Fry thanked everyone for attending and expressed excitement for Mental Health and Disability Services (MH/DS) provider and Department of Human Services (DHS) testimony on the topic.

Senator Edler described the method by which questions would be asked of presenters and the procedures for the public comment period.

III. Department of Human Services Update and Reports

Mr. Rick Shults, MH/DS Administrator, DHS, and Ms. Theresa Armstrong, Community Services & Planning Bureau Chief, DHS, provided background information regarding the establishment of the 14 MH/DS regions and the development of core services, core plus services, and the initial adjustments to region funding and the accumulation of region fund balances following the Iowa Health and Wellness Plan.

Mr. Shults explained that each region is required to submit a comprehensive report each December to DHS. This report is a review of the progress MH/DS regions have made in developing core and core plus services around the state. The reports share information where MH/DS regions are developing core services, core plus services, and new services required under House File 2456. Mr. Shults explained



that the regions are responsible for developing a provider network regardless of the funding source and are only responsible for funding services that are not Medicaid-funded for individuals that meet their criteria. To be eligible, the person must have a mental illness or intellectual disability and have an income at or below 150 percent of the federal poverty level. Mr. Shults clarified that the regions are authorized to increase the poverty level criteria and noted that most of the regions have increased the requirement to between 200 percent and 250 percent of the federal poverty level. Mr. Shults described the non-Medicaid-funded services as falling into two categories: when the person is not Medicaid eligible and when the service provided is not covered by Medicaid. He explained that DHS works with Medicaid and the MH/DS regions to align as many services as possible to be Medicaid-reimbursable.

Mr. Shults indicated that while most regions have developed fund balances, there are exceptions. The maximum levy is determined by the total amount the region is allowed to raise divided by the residents in that region and for FY 2019 that total is approximately \$115 million statewide. With the passage of Senate File 504, regions were required to spend down their fund balances or risk having a decrease in the amount of property taxes levied. In response to this requirement, the regions have increased services and core plus services in addition to lowering their levy rates. House File 2456, passed in 2018, increased the number of services required to be provided by the regions and increased the funding need for such services. The fiscal note accompanying House File 2456 estimated the cost for the services for FY 2019 at \$4.3 million with a cost as high as \$10 million for FY 2020.

Mr. Shults explained the need for fund balances to provide cash flow for the first few months when there is no money coming in to the regions. He noted the four regions with expenditures for FY 2018 that were higher than the maximum amount the region is allowed to levy. According to Mr. Shults, some regions will experience problems if that spending need continues. He described the work the regions have been doing and noted the annual spending of \$75.8 million for MH/DS in FY 2017 and \$95 million



Mental Health and Disability Services Funding Study Committee

in FY 2019. While the regions have larger responsibilities than mental health, they spent a bulk of their resources on mental health in an effort to develop and cultivate services within the region.

DHS produces a report commonly referred to as a “dashboard.” The report is large and is reflective of the amount of data the regions provide to DHS. The data reported demonstrates the accessibility of core services to the target population within the region, shows how the region is implementing core plus services, and provides an understanding of how the region is fulfilling the requirements of House File 2456. Mr. Shults noted that much of the information and data currently in the dashboard is from FY 2016 and FY 2017, and that DHS will soon update the dashboard with information and data from FY 2018. This information will be drawn from the December reports submitted by the regions. Mr. Shults stated the information is self-reported from the regions and is not verified by DHS.

According to Mr. Shults, DHS has concluded that the regions have successfully formed, developed service networks, and are largely meeting core service requirements. He explained that a large component of the unmet core services relates to a lack of service providers. The regions are not alone in workforce difficulties, and the issue is common among other groups.

Mr. Shults additionally provided an overview of the services developed by the regions including integrated employment for persons with mental illness, jail diversion programs, Assertive Community Treatment (ACT) teams, mobile response teams, and an array of crisis services. Together, DHS and the regions established measurements of success including the number of individuals in the emergency departments for longer than necessary or hospitalized beyond the appropriate time, the number of individuals that could have been diverted from jails to other services, and the number of individuals who were involuntarily discharged from a community placement. Mr. Shults acknowledged the challenge in obtaining the data and the need to continue to work with the regions and other stakeholders, such as emergency departments and jails, to collect the data in a more efficient manner moving forward. Mr.



Shults also acknowledged the improvement of integrating mental health treatment and substance use disorder treatment, including collaboration with the Department of Public Health to create a statewide call line.

Members of the committee expressed concern that the data collection process may not be accurate and questioned how MH/DS regions provide data and how to get a more detailed idea of the financial aspect of MH/DS region administration. Mr. Shults responded that DHS meets with the MH/DS regions regularly and that the data system in place allows them to see the amount of money spent for each population and reflects how much money is spent for each service and improves regularly on the accuracy and consistency of the data.

Mr. Shults confirmed that MH/DS regions are collaborating in order to provide efficient and effective services to members across boundaries. Committee members questioned the possibility of learning the amount of Medicaid money spent on mental health. Mr. Shults responded that at this time the information is not available but DHS hopes to provide this information in the future.

IV. Mental Health and Disability Services Regions

A. Ms. Lori Elam, CEO, Eastern Iowa MHDS region, discussed the geographic and demographic characteristics of the Eastern Iowa Region and the fiscal challenges facing the region following the passage of Senate File 504 and House File 2456. Ms. Elam noted the inadequacy of the Eastern Iowa Region's \$30.78 per capita cap and the region's ongoing budget deficit due to meeting current service needs and the cost of new services enacted in House File 2456.

Ms. Elam explained to the committee that in response to the passage of Senate File 504, four of the counties within her region reduced their county's levy amount per capita to \$30.78, while Scott County could have increased their levy from \$19.30 to \$30.78, but chose not to implement such an increase. With the passage of House File 2456, the new required services have created financial difficulties for the



Mental Health and Disability Services Funding Study Committee

Eastern Iowa MH/DS Region. The region wants to provide the new services; however, there is difficulty in sustaining the new services. Ms. Elam explained the combined budget for the 24-hour crisis line, warm line, mobile response, 23-hour crisis observation/holding, community-based crisis stabilization, residential crisis stabilization, and subacute beds has an estimated budget of \$2,550,000. Ms. Elam expressed concern that with the current levy rates and the new services required to be developed, the new services will start but may be discontinued due to the lack of funding. Ms. Elam explained that as of October 1, 2018, the Eastern Iowa MH/DS Region had already spent \$4.7 million, only three months into the new state fiscal year while only collecting \$2 million in revenue.

Ms. Elam acknowledged discussions of developing the children's mental health system within the existing MH/DS regions. She emphasized that this process of developing the children's mental health system should be done slowly and carefully.

Ms. Elam responded to committee commentary that not all counties zeroed out their levies and that not all regions took the same approach as the Eastern Iowa MH/DS Region. She noted the region's growing pains over the last few years and explained that after Senate File 504 was passed, the Eastern Iowa MH/DS Region met with an agent who presented the region with different approaches to implement the legislation. She explained that the result of the meeting with the agent was a combination of decreasing the revenue while increasing the expenditures in order to meet the spend down requirement of Senate File 504.

B. Ms. Kathy Lerma, CEO, County Rural Offices of Social Services (CROSS), provided geographic and population information about CROSS and the region's current levy limitations. Ms. Lerma also detailed the high levels of poverty in the member counties of CROSS. CROSS is made up of Clarke, Decatur, Lucas, Marion, Monroe, Ringgold, and Wayne counties, with five of the counties with poverty levels that are higher than the state poverty level. The maximum per capita levy rate for the CROSS region is



\$39.13; all member counties have set their levy rate at the maximum per capita levy rate for FY 2019, resulting in a maximum levy amount of \$3,078,592.

Ms. Lerma highlighted that the CROSS was the first to create an ACT team. The team is available in all counties within the region and in the second year CROSS allocated 10 out of the 50 client slots to the South Central Behavioral Health MH/DS Region which allowed the team to expand into Appanoose County. At the time of the committee meeting, all 40 of the client slots for CROSS were filled and 5 out of the 10 client slots for the South Central Behavioral Health MH/DS Region were filled.

Ms. Lerma stated that CROSS is scheduled to open an access center by November 1, 2019. CROSS selected Community Health Centers of Southern Iowa, a federally qualified community health center, for the access center. Upon the passage of Senate File 504 and House File 2456, CROSS put together workgroups throughout the region and invited Iowa State University to help put together a community action plan that would implement the requirements of the legislation. The result of the workgroups and the community action plan was the realization that because CROSS is a rural region with a limited number of mental health professionals within the region, there was a need to bring services together and maximize the capacity of the professionals. The solution was to utilize the access center.

The access center will include assessment and evaluation with medical clearance, three 23-hour hold beds, five crisis stabilization residential services beds, seven subacute beds, a peer support warm line with counseling services available, and mobile crisis services to all seven counties that are linked to the access center. During the second year of operation, the access center will provide crisis stabilization and community services, along with care coordination.

Ms. Lerma next provided the committee with the CROSS region's financial projection for the next five years. In FY 2017, each member county was levying at the maximum levy amount and the region's tax revenue was \$3,191,285. In FY 2018, after the passage of Senate File 504 and implementation of



Mental Health and Disability Services Funding Study Committee

the regional per capita levy cap, six of the seven counties lowered their levy rates. One county was previously below \$39.14 per capita and declined to raise the levy to the cap. For FY 2019, all seven counties are levying at the \$39.14 levy rate. Ms. Lerma expressed concern with the discord that can be created between counties when deciding whether they are going to levy the same rate or different rates which could lead to the break-up of the region. She praised the regions for the ability to provide services that would not be affordable for individual counties, but emphasized regions must remain stable with the ability to work through differences. This concern shaped her recommendations for future funding.

Ms. Lerma noted that the region's services and administrative expenditures decreased in FY 2017 because of individuals moving back into the community with the aid of the ACT team. She explained that as some of the services begin, funding that was originally designated for other services would be diverted to the new services. The expenditures for CROSS increased for FY 2019 due to an increase in services such as iStart, a higher usage of telepsychiatry, jail diversion programs, sheriff's department transportation costs, and support for the access center. For FY 2020 there is an expected slight reduction in the levy amounts caused by a decreasing population in rural areas. This decrease creates a concern related to regional funding because there is a three-year gap in the population information and the funding for a fiscal year. This means the 2017 population rates will be used to calculate the 2020 levy rates. The Census Bureau will conduct a new census in 2020 that will be used to set the new levy rates. The drop in population directly impacts the levy and the sustainability of the region in the future. Ms. Lerma informed the committee that CROSS is already in talks with neighboring regions to contract for the access center to help cover costs. The interested regions are Central Iowa Community Services (CICS) Region, the Southern Hills Region, and the South Central Behavioral Region.

By FY 2021, all currently required services will be created, the fund balance will be spent down by the region, and the region's costs will exceed levy revenues. Ms. Lerma explained that if there is no change in funding, the region anticipates that in FY 2021 CROSS will need to institute a waiting list for



services. If measures are not taken by FY 2022, CROSS will have an inadequate fund balance and will be unable to sustain services in the first quarter of the fiscal year. In the following two fiscal years, the region would then operate on a deficit budget with a need to reduce expenditures. She explained what the CROSS region needs in resources and funding to remain stable. One issue to be solved is adequate Medicaid reimbursement rates for providers and the need to address insurance parity. Additional issues addressed by Ms. Lerma included transparency of billing criteria from the Managed Care Organizations and timely processing of individuals applying for Medicaid services. Currently, the CROSS region covers the gap between the time the individual is identified as eligible for Medicaid and the approval for Medicaid. The gap due to this process can take three to six months.

To address funding concerns, Ms. Lerma suggested an adequate per capita rate and the creation of additional funding streams through grants and partnerships. She also suggested a care coordination team within the region to develop a care plan for the correct and appropriate services to meet the individual's needs. She shared a suggested funding option by way of reducing the levy per capita to \$25.84, thus creating a uniform statewide levy rate and decreasing the friction between member counties and giving regions funding stability. She further suggested a protected sales tax of three-eighths of one cent that would be split between children's mental health, adult mental health, and substance use treatment. The revenue from that sales tax would be approximately \$180 million per year.

In response to committee questioning, Ms. Lerma highlighted the benefits to the creation of the regional system, but also identified the ability of individual counties to levy at rates below others as an ongoing source of conflict between member counties. Ms. Lerma cited the discrepancies in costs of providing services in rural versus urban areas, and discussed proposals for alternative funding methods, including state sales tax revenues coupled with uniform statewide property tax rates.



V. County Board of Supervisors

Mr. Dave Thompson, County Supervisor, Marshall County Board of Supervisors, told the committee that during his time as county supervisor, Marshall County became debt-free and the county has reduced its levy over the course of 10 years (and kept the levy the same for one of those years), all while the county has continued to meet the needs of its residents. He told the committee that this is a juggling act. He explained that when he first took office, the region was levying the equivalent of \$54.78 per capita, and that today the regional levy is \$23.02 per capita. He emphasized the importance of balance at the county and regional level. Marshall County sustained a tornado during the summer of 2018. The ability to rebuild following the tornado would not have been possible without a county fund balance. Mr. Thompson cautioned against the requirement that counties and regions spend down the fund balances in a rapid fashion. He told the committee that Marshall County is proud of the services developed for mental health and the services provided to the Juvenile Detention Center at Eldora. He urged the committee to help the county retain those services through stability in the levy rates. Mr. Thompson also asked the committee to extend the ability for the county to spend the balances down. He expressed the need to keep services close to where the individuals live.

Mr. Thompson responded to committee questioning related to the setting of a statewide levy by stating a statewide levy would be extremely difficult. The difficulties would result from the differences in the populations served and the distance from the services being provided. He urged the committee to set the cap high enough to spend down the balances, but that it is necessary to have a minimum of 25 percent fund balances.

VI. Public Comment

The committee received public comment, and each individual was allowed to speak for approximately three minutes.

Mental Health and Disability Services Funding Study Committee



Mr. Jamie Cashman, Government Relations Manager, Iowa State Association of Counties (ISAC), told the committee that finding a long-term funding solution for mental health services for counties has been a priority of ISAC ever since the implementation of the regions. He stated that the innovations of regions has been embraced by the counties and the regions, particularly the jail diversion program. He said that funding is the final piece of providing mental health services and asked the committee to end the mental health levy cap. Mr. Cashman said that while Senate File 504 provided levy equity for some counties within the region, the problems presented by the regions will continue to grow. He urged the committee to eliminate the mental health levy cap but continue to hold counties and regions accountable. He outlined the ways counties are currently held accountable including the requirement for approval for budgets by DHS and assured the committee that the elimination of the cap would not result in a dramatic increase in property taxes, but would instead result in a decrease of the levy. He requested the committee eliminate the 20 and 25 percent carryforward balance limitation and permit the counties and regions to spend down to a judicious level.

Mr. Russell Wood, Iowa Community Services Association and CICS, first addressed the committee from the perspective of the CICS region and discussed how the regions' differing fund balances impacted changes to the system. He explained that after the CICS region developed its Iowa Code chapter 28E agreements, each member county combined fund balances and levied the maximum rate unless otherwise directed by the governing board; this resulted in a large beginning fund balance. For the second year, each member county levied a lower rate, which continued until the fourth year. This condition has now resulted in levying less than the region is spending. From the perspective of the Iowa Community Services Association, the change in phrasing to actual expenses in Senate File 504 resulted in the region putting a hold on paying bills the first quarter of the fiscal year. He explained that three months of bills is 20 percent of the region's finances and explained that the practice of withholding bills



Mental Health and Disability Services Funding Study Committee

happens twice a year. He indicated that the reduction of levies within counties is a result of attempting to reduce the cash flow balances.

Ms. Dawn Smith, chair of the Cedar County Board of Supervisors and president of the Iowa State Supervisors Association, told the committee that when she first came into her roles there was hostility amongst supervisors in part due to inequality of levy rates within the region. Despite the disagreements and hostility, the main goal of the region has been to remain whole, which the region has done. She urged the committee to carefully develop the children's mental health system and allow regions to adjust if the children's mental health system becomes aligned with the regions. Ms. Smith asked the committee to remove the levy rate caps, which would allow regions to develop and implement new required services. She addressed committee concerns about those counties levying a low rate, and stated several counties were required to lower their rates in order to meet the expectations required by Senate File 504.

Ms. Amy Campbell, lobbyist for Polk County, told the committee that Polk County's levy rate was frozen in 1996 with a \$14.4 million budget. The budget has remained the same despite the county growth in population and the evolution of services the county provides. Ms. Campbell provided the committee an overview of Polk County's expenses and revenues, including the use of remaining fund balances. Ms. Campbell urged the committee to allow the regional governing boards to raise levy rates to levels appropriate for each region in order to provide required services.

Ms. Kim Murphy, Iowa Hospital Association (IHA), told the committee that IHA represents 118 community hospitals across the state and is a member of the statewide Coalition to Advance Mental Health in Iowa (CAMI). Ms. Murphy emphasized the importance of mental health funding to hospitals. The IHA has advocated for changes to the mental health system to create access to services for patients served by post-emergency department care and inpatient hospitalization. CAMI's top legislative priority is to identify appropriate funding sources in order to properly provide services required by House File 2456.

Mental Health and Disability Services Funding Study Committee



Ms. Murphy emphasized that services will not be developed without proper funding. She noted the committee has the support of CAMI and IHA as the committee develops solutions for proper funding.

Mr. Rick Sanders, Chairperson of the Story County Board of Supervisors, Vice President of the Iowa State Association of County Supervisors, and member of the state MH/DS Commission, emphasized the importance of finding a solution for mental health funding and told the committee that Story County is projected to experience a mental health funding crisis. He stressed the importance of regions in the development of new services to improve mental health care. He encouraged the committee to abolish the mental health levy rate caps and require regions and counties to explain how money is spent on mental health services. Mr. Sanders asked the committee to examine fund balances as not just carryforward funds but in terms of developing services that provide for individuals. He provided the example of a new crisis stabilization unit which is a partnership between Story County, a medical center, and the region. He stressed that the unit will cost \$500,000 in order to begin providing services, and that without the funds from the ending fund balances, the crisis stabilization unit would not exist. Mr. Sanders ended his comments by thanking the committee for their work.

Ms. Susan Daemeu, Iowa State Sheriff's and Deputies' Association, thanked the committee for the progress related to mental health services. She told the committee that the association supports the jail diversion program and other services required by House File 2456. She expressed concerns that if the new services are not properly funded, the cost to property taxpayers will be shifted due to rising jail medical costs, the cost of transportation provided by sheriffs for involuntary commitments, and deputy overtime related to transportation of individuals for such commitments. Ms. Daemeu provided the committee a brief overview of medical costs associated with the prisons including Polk County's costs at just under \$5 million and Black Hawk County's costs at \$1.28 million. Ms. Daemeu noted that those costs are not built into mental health programs. Ms. Daemeu expressed the Iowa Sheriff and Deputy Association's support of removal of balance carryforward restrictions, elimination of mental health levy



Mental Health and Disability Services Funding Study Committee

caps, and measures to ensure that Medicaid-covered services are paid in an accurate and timely manner. Ms. Daemeu stated her belief that through these measures, the cost of jail medical expenses will decrease and the citizens ultimately will be better served through the regions.

VII. Committee Discussion

Committee members discussed the charge of the committee and the timing for reporting any committee recommendations to the General Assembly. A motion was made by Co-chairperson Edler that the committee's final report, as prepared by the Legislative Services Agency, include funding proposals offered by all presenters during the committee's two meetings. The motion was approved by the committee.

VIII. Materials Filed With the Legislative Services Agency

The following materials listed were distributed at or in connection with the meeting and are filed with the Legislative Services Agency. The materials may be accessed from the link on the committee's website:

www.legis.iowa.gov/committees/committee?ga=87&session=2&groupID=31963

1. Iowa Mental Health and Disability Services Regions: Statewide Report SFY 2017, Iowa Department of Human Services.
2. MH/DS Region Implementation Report Regarding Mental Health Services for Individuals with Complex Service Needs, Iowa Department of Human Services.
3. Mental Health and Disability Services Funding Study Committee Presentation, Iowa Department of Human Services.
4. Eastern Iowa Mental Health and Disability Services Region Presentation, Ms. Lori Elam.
5. County Rural Offices of Social Services Presentation, Ms. Kathy Lerma