

**HUMAN SERVICES DEPARTMENT[441]**

**Notice of Intended Action**

**Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”**

**Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.**

Pursuant to the authority of Iowa Code section 249A.4 and 2013 Iowa Acts, chapter 140 (Senate File 452), section 12, the Department of Human Services proposes to amend Chapter 79, “Other Policies Relating to Providers of Medical and Remedial Care,” Iowa Administrative Code.

Pursuant to subrule 79.1(15), providers of home- and community-based services (HCBS) must complete a financial cost report for certain HCBS services annually. The fiscal year cost reports cover the 12 months of July through June, and the cost reports must be submitted to the Department by September 30 each year. The cost report accounts for all direct service and indirect administrative costs that have been incurred by a provider over the previous 12 months of service delivery, and the allowable costs in the report are used to establish future reimbursement rates. Staff training costs have historically been considered an indirect administrative expense for cost reporting purposes. And for Medicaid rate-setting purposes, indirect administrative costs are limited pursuant to 79.1(15)“b”(3) to 20 percent of other costs. The proposed amendment provides that, to the extent funding is appropriated, the reasonable costs of staff training will be treated as direct costs, rather than as indirect administrative costs subject to the 20 percent limit. 2013 Iowa Acts, chapter 140 (Senate File 452), section 12, provides as follows:

“The department of human services shall adopt rules pursuant to chapter 17A to provide that reasonable costs of staff training incurred by providers of home and community-based services under the medical assistance program are reimbursable as direct costs. Such reimbursement shall include reimbursement of the reasonable costs associated with the learning management system utilized under the college of direct support training program.”

Since 2011, the Department has been funding the College of Direct Support training program referenced in the 2013 legislation. Due to that funding, the College of Direct Support has been free to providers and has reduced training costs. Nonetheless, the provider community has estimated that training expenses are 1 to 2 percent of other expenses. And providers have also indicated that other indirect administrative costs equal or exceed the 20 percent limit. Based on that information, the Department estimates that treating the reasonable costs of staff training as direct costs would increase provider reimbursement by \$3.4 to \$6.8 million annually (state share \$1.5 to \$3.0 million). In 2013, the Legislature appropriated \$300,000 for that purpose for the six months of January through June of 2014. See 2013 Iowa Acts, chapter 138 (Senate File 446), section 12(24). But that is just 40 percent of the state share for the minimum estimated six-month cost (\$750,000). Further, the Iowa Association of Community Providers (IACP), which represents HCBS providers, objected to the implementation of a change in how costs are allocated in the middle of a cost reporting period, which would have required providers to submit two cost reports for that period. Rather, the IACP requested that any change to cost reporting be postponed until July 1, 2014. Due to the inadequate appropriation and the timing concerns, the Department postponed any change until July 1, 2014.

However, the Department’s appropriation for the state fiscal year beginning July 1, 2014, did not include any additional funds for treatment of staff training costs as direct costs. Therefore, the Department has not taken any action to amend the rules as directed by 2013 Iowa Acts, chapter 140 (Senate File 452), section 12, though the Department has continued to fund the College of Direct Support, thus reducing providers staff training costs.

On October 6, 2014, the Department received a petition for rule making to implement 2013 Iowa Acts, chapter 140 (Senate File 452), section 12. The Department believes that the Legislature needs to address the extent to which staff training costs should be treated as direct costs, in light of the College of Direct Support, and provide appropriate funding. Therefore, pursuant to the petition for rule making, the Department is now proposing an amendment providing for treatment of the reasonable costs of staff training as direct costs to the extent funding is specifically appropriated for that purpose.

Any interested person may make written comments on the proposed amendment on or before January 27, 2015. Comments should be directed to Harry Rossander, Bureau of Policy Coordination, Department of Human Services, Hoover State Office Building, Fifth Floor, 1305 East Walnut Street, Des Moines, Iowa 50319-0114. Comments may be sent by fax to (515)281-4980 or by e-mail to [policyanalysis@dhs.state.ia.us](mailto:policyanalysis@dhs.state.ia.us).

This amendment does not provide for waivers in specified situations because requests for the waiver of any rule may be submitted under the Department's general rule on exceptions at 441—1.8(17A,217).

After analysis and review of this rule making, no impact on jobs has been found.

This amendment is intended to implement Iowa Code section 249A.4 and 2013 Iowa Acts, chapter 140 (Senate File 452), section 12.

The following amendment is proposed.

Adopt the following **new** subparagraph **79.1(15)“b”(9)**:

(9) To the extent funding is specifically appropriated by the legislature for this purpose for a state fiscal year, reasonable costs of staff training shall be treated as direct care costs, rather than as indirect administrative costs, in determining reimbursement rates for the fiscal year.