Regulatory Analysis

Notice of Intended Action to be published: 481—Chapters 22 and 84
"Health Care Facility Audits; Audits Unit"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 10A.402

State or federal law(s) implemented by the rulemaking: Iowa Code section 10A.402 and Executive Order 10

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

October 21, 2025 1:30 p.m.	Ledges Conference Room 6200 Park Avenue Des Moines, Iowa

Information on virtual participation will be available on the Department of Inspections, Appeals, and Licensing's website prior to the hearing.

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Department no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Department of Inspections, Appeals, and Licensing
6200 Park Avenue
Des Moines, Iowa 50321
Phone: 515.672.4929
Email: amy.oetken@dia.iowa.gov

Purpose and Summary

This proposed rulemaking rescinds Chapter 22, adopts a new Chapter 84, and implements Iowa Code section 10A.402 in accordance with the goals and directives of Executive Order 10.

Iowa Code section 10A.402 provides that the Director of the Department shall coordinate the conduct of various audits and investigations, including audits related to the administration of health care facilities.

The rulemaking implements Iowa Code section 10A.402 by setting forth the specific Iowa Administrative Code chapters with which the Department ensures compliance. The rulemaking also spells out that information compiled during the audit is confidential.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

The entities that are subject to audit bear the costs of the proposed rulemaking by maintaining the records to be audited. Those records are required to be kept by separate statute or rule.

- **Classes of persons that will benefit from the proposed rulemaking:**

The residents and their loved ones benefit from this rulemaking by ensuring that the financial resources of the residents are protected and their information is kept confidential.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

According to the United States Department of Justice, $100 billion may potentially be lost each year to health care fraud. Furthermore, health care fraud undermines the quality of health care provided to patients. Health care fraud is defined as "an individual, a group of people, or a company knowingly misrepresenting or misstating something about the type, scope, or nature of the medical service provided." That definition does not include loss of funds due to theft and embezzlement. The audits performed pursuant to this proposed chapter are designed to prevent and discover health care fraud in the audited facilities.

- **Qualitative description of impact:**

The residents and their loved ones have peace of mind knowing the finances of the loved ones are protected and their information is confidential. There is no way to put a dollar amount on that impact.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

There are five full-time employees assigned to the Human Services Audits Unit. The Unit is budgeted $321,074 yearly and receives $180,000 yearly from other agencies.

- **Anticipated effect on State revenues:**

There is no anticipated effect on State revenues.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

As described above, the potential costs of health care fraud are in the billions. The costs to the agency to implement this rulemaking are miniscule compared to the costs of health care fraud.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

All 50 states conduct audits of care facilities, including all of Iowa's surrounding states. Minnesota, however, requires facilities to obtain a financial audit from a certified public accountant to be submitted to the state. That option would impose a financial burden on facilities. Wisconsin requires an audit from a certified public accountant, which is paid out of state funds. Iowa's audit system seems to be the most fiscally responsible for both the State and the facilities.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

See response to question five above.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

See response to question five above.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

Iowa Code section 10A.402 does not allow for exemptions or different standards for small businesses. The necessity for consistency and fairness in auditing is the same whether the organization is small or large. However, if a small business identifies a portion of the rulemaking that is overly burdensome and the goals can be accomplished in a manner that would reduce the impact of the rulemaking to the business, the Department's established waiver process could be utilized.

Text of Proposed Rulemaking

ITEM 1. Rescind and reserve **481—Chapter 22**.

ITEM 2. Adopt the following **new** 481—Chapter 84:

CHAPTER 84
AUDITS UNIT

481—84.1(10A) Audit occurrence. The department, acting as an agent for the Iowa department of health and human services (HHS), audits financial records of intermediate care facilities, residential care facilities, and intermediate care facilities for the intellectually disabled on a rotating basis or upon request of HHS. Audits are intended to ensure compliance with the following Iowa Administrative Code chapters:

1. 441—Chapter 52, Payment.
2. 441—Chapter 54, Facility Participation.
3. 441—Chapter 81, Nursing Facilities.
4. 441—Chapter 82, Intermediate Care Facilities for Persons with an Intellectual Disability.

If a chapter not listed is used in an audit, the auditor will notify the facility.

481—84.2(10A) Confidentiality. All information compiled during an audit is confidential according to Iowa Code sections 10A.105 and 217.30. All inquiries to release information that is confidential under Iowa Code section 217.30 will be addressed to HHS.

84.2(1) Information may be added to an audit file by the subject of the audit when the subject notifies the Audits Unit, Department of Inspections, Appeals, and Licensing, 6200 Park Avenue, Des Moines, Iowa 50321.

84.2(2) At the conclusion of the audit, when material is returned to HHS, HHS rules regarding fair information practices prevail.

These rules are intended to implement Iowa Code sections 10A.402 and 22.11.