

225C.7A Mental health and disability services regional service fund — region incentive fund.

1. A mental health and disability services regional service fund is created in the office of the treasurer of state under the authority of the department. The fund shall be separate from the general fund of the state and the balance in the fund shall not be considered part of the balance of the general fund of the state. Moneys in the fund include appropriations made to the fund and other moneys deposited into the fund. Moneys in the fund shall be used solely for purposes of making regional service payments and incentive payments under [this section](#).

2. *a.* For each fiscal year beginning on or after July 1, 2021, there is appropriated from the general fund of the state to the mental health and disability services regional service fund an amount necessary to make all regional service payments under [this section](#) for that fiscal year.

b. The department shall distribute the moneys appropriated from the mental health and disability services regional service fund to mental health and disability services regions for funding of services in accordance with performance-based contracts with the regions and in the manner provided in [this section](#).

c. The performance-based contracts between the department and each mental health and disability services region shall be in effect beginning January 1, 2022, and shall include all of the following:

(1) Authority for the department to approve, deny, or revise each mental health and disability services region's annual service and budget plan under [section 225C.60](#).

(2) A requirement for the mental health and disability services region to provide access to all core services under [section 225C.65](#).

(3) A requirement that the mental health and disability services region utilize all federal government funding, including Medicaid funding, third-party payment sources, and other nongovernmental funding prior to using regional service payments received under [this section](#).

(4) An annual review of the mental health and disability services region's administrative costs conducted by the department.

(5) Authority for the department to establish outcome improvement goals for populations served by the region including but not limited to decreases in emergency department visits, improved use of mobile crisis response and jail diversion programs, and improved employment-based outcomes.

(6) Provisions authorizing the department, in response to a mental health and disability services region's violation of the contract, to implement the actions described under [section 225C.56, subsection 5](#), paragraph "a".

3. For each fiscal year beginning on or after July 1, 2021, the moneys available in a fiscal year in the mental health and disability services regional service fund, except for moneys in the region incentive fund under [subsection 8](#), are appropriated to the department and shall be distributed to each region on a per capita basis calculated under [subsection 4](#) using each region's population, as defined in [section 225C.55](#), for that fiscal year.

4. The amount of each region's regional service payment shall be determined as follows:

a. For the fiscal year beginning July 1, 2021, an amount equal to the product of fifteen dollars and eighty-six cents multiplied by the sum of the region's population for the fiscal year.

b. For the fiscal year beginning July 1, 2022, an amount equal to the product of thirty-eight dollars multiplied by the sum of the region's population for the fiscal year.

c. For the fiscal year beginning July 1, 2023, an amount equal to the product of forty dollars multiplied by the sum of the region's population for the fiscal year.

d. For the fiscal year beginning July 1, 2024, an amount equal to the product of forty-two dollars multiplied by the sum of the region's population for the fiscal year.

e. (1) For the fiscal year beginning July 1, 2025, and each succeeding fiscal year, an amount equal to the product of the sum of the region's population for the fiscal year multiplied by the sum of the dollar amount used to calculate the regional service payments

under [this subsection](#) for the immediately preceding fiscal year plus the regional service growth factor for the fiscal year.

(2) For purposes of this paragraph, “*regional service growth factor*” for a fiscal year is an amount equal to the product of the dollar amount used to calculate the regional service payments under [this subsection](#) for the immediately preceding fiscal year multiplied by the percent increase, if any, in the amount of sales tax revenue deposited into the general fund of the state under [section 423.2A, subsection 1](#), paragraph “a”, less the transfers required under [section 423.2A, subsection 2](#), between the fiscal year beginning three years prior to the applicable fiscal year and the fiscal year beginning two years prior to the applicable year, but not to exceed one and one-half percent.

5. Regional service payments received by a region shall be deposited in the region’s combined account under [section 225C.58](#) and used solely for providing mental health and disability services under the regional service system management plan.

6. Regional service payments from the mental health and disability services regional service fund shall be paid in quarterly installments to the appropriate regional administrator in July, October, January, and April of each fiscal year.

7. a. For the fiscal year beginning July 1, 2021, each mental health and disability services region for which the amount certified during the fiscal year under [section 331.391, subsection 4](#), paragraph “b”, Code 2023, exceeds forty percent of the actual expenditures of the region for the fiscal year preceding the fiscal year in progress, the remaining quarterly payments of the region’s regional service payment shall be reduced by an amount equal to the amount by which the region’s amount certified under [section 331.391, subsection 4](#), paragraph “b”, Code 2023, exceeds forty percent of the actual expenditures of the region for the fiscal year preceding the fiscal year in progress, but the amount of the reduction shall not exceed the total amount of the region’s regional service payment for the fiscal year. If the region’s remaining quarterly payments are insufficient to effectuate the required reductions under this paragraph, the region is required to pay to the department any amount for which the reduction in quarterly payments could not be made. The amount of reductions to quarterly payments and amounts paid to the department under this paragraph shall be transferred and credited to the region incentive fund under [subsection 8](#).

b. For the fiscal year beginning July 1, 2022, each mental health and disability services region for which the amount certified during the fiscal year under [section 331.391, subsection 4](#), paragraph “b”, Code 2023, exceeds twenty percent of the actual expenditures of the region for the fiscal year preceding the fiscal year in progress, the remaining quarterly payments of the region’s regional service payment shall be reduced by an amount equal to the amount by which the region’s amount certified under [section 331.391, subsection 4](#), paragraph “b”, Code 2023, exceeds twenty percent of the actual expenditures of the region for the fiscal year preceding the fiscal year in progress, but the amount of the reduction shall not exceed the total amount of the region’s regional service payment for the fiscal year. If the region’s remaining quarterly payments are insufficient to effectuate the required reductions under this paragraph, the region is required to pay to the department any amount for which the reduction in quarterly payments could not be made. The amount of reductions to quarterly payments and amounts paid to the department under this paragraph shall be transferred and credited to the region incentive fund under [subsection 8](#).

c. For the fiscal year beginning July 1, 2023, and each succeeding fiscal year, each mental health and disability services region for which the amount certified during the fiscal year under [section 225C.58, subsection 4](#), paragraph “b”, exceeds five percent of the actual expenditures of the region for the fiscal year preceding the fiscal year in progress, the remaining quarterly payments of the region’s regional service payment shall be reduced by an amount equal to the amount by which the region’s amount certified under [section 225C.58, subsection 4](#), paragraph “b”, exceeds five percent of the actual expenditures of the region for the fiscal year preceding the fiscal year in progress, but the amount of the reduction shall not exceed the total amount of the region’s regional service payment for the fiscal year. If the region’s remaining quarterly payments are insufficient to effectuate the required reductions under this paragraph, the region is required to pay to the department any amount for which the reduction in quarterly payments could not be made. The amount of

reductions to quarterly payments and amounts paid to the department under this paragraph shall be transferred and credited to the region incentive fund under [subsection 8](#).

8. *a.* A region incentive fund is created in the mental health and disability services regional service fund under [subsection 1](#). The incentive fund shall consist of the moneys appropriated or credited to the incentive fund by law, including amounts credited to the incentive fund under [subsection 7](#). Notwithstanding [section 8.33](#), moneys in the incentive fund at the end of each fiscal year shall not revert to any other fund but shall remain in the incentive fund for use in subsequent fiscal years. For fiscal years beginning on or after July 1, 2021, there is appropriated from the general fund of the state to the incentive fund the following amounts to be used for the purposes of [this subsection](#):

(1) For the fiscal year beginning July 1, 2021, three million dollars.

(2) (a) For each fiscal year beginning on or after July 1, 2025, an amount equal to the incentive fund growth factor multiplied by the ending balance of the incentive fund at the conclusion of the fiscal year ending June 30 immediately preceding the application deadline under paragraph “*b*” for the fiscal year for which the appropriation is made.

(b) For purposes of this subparagraph, the “*incentive fund growth factor*” for each fiscal year is the percent increase, if any, in the amount of sales tax revenue deposited into the general fund of the state under [section 423.2A, subsection 1](#), paragraph “*a*”, less the transfers required under [section 423.2A, subsection 2](#), between the fiscal year beginning three years prior to the applicable fiscal year and the fiscal year beginning two years prior to the applicable year, minus one and one-half percent, and the incentive fund growth factor for any fiscal year shall not exceed three and one-half percent.

b. To receive funding from the incentive fund, a regional administrator must submit to the department sufficient data to demonstrate that the region has met the standards outlined in the region’s performance-based contract. The purpose of the incentive fund shall be to provide appropriate financial incentives for outcomes met from services provided by the regional administrator’s mental health and disability services region. The department shall make its final decisions on or before December 15 regarding acceptance or rejection of the submissions for incentive funds applications for assistance and the total amount accepted shall be considered obligated.

c. In addition to incentive submission requirements under paragraphs “*d*”, “*e*”, and “*g*”, basic eligibility for incentive funds requires that a mental health and disability services region meet all of the following conditions:

(1) The mental health and disability services region is in compliance with the regional service system management plan requirements of [section 225C.60](#).

(2) (a) In the fiscal year that commenced two years prior to the fiscal year of application for incentive funds, the ending balance, under generally accepted accounting principles, of the mental health and disability services region’s combined services funds was equal to or less than the ending balance threshold under subparagraph division (b) for the fiscal year for which assistance is requested.

(b) For purposes of this subparagraph (2), “*ending balance threshold*” means the following:

(i) For applications for the fiscal year beginning July 1, 2021, forty percent of the actual expenditures of the mental health and disability services region for the fiscal year that commenced two years prior to the fiscal year of application for assistance.

(ii) For applications for the fiscal year beginning July 1, 2022, twenty percent of the actual expenditures of the mental health and disability services region for the fiscal year that commenced two years prior to the fiscal year of application for assistance.

(iii) For applications for fiscal years beginning on or after July 1, 2023, five percent of the actual expenditures of the mental health and disability services region for the fiscal year that commenced two years prior to the fiscal year of application for assistance.

d. The department shall review the fiscal year-end financial records for all mental health and disability services regions that are granted incentive funds. If the department determines a mental health and disability services region’s actual need for incentive funds was less than the amount of incentive funds granted to the mental health and disability services region, the mental health and disability services region shall refund the difference between the amount

of assistance granted and the actual need. The mental health and disability services region shall submit the refund within thirty days of receiving notice from the department. Refunds shall be credited to the incentive fund.

e. The department shall determine application requirements to ensure prudent use of the incentive fund. The department may accept or reject an application for incentive funds in whole or in part. The decision of the department is final.

f. The total amount of incentive funds approved shall be limited to the amount available in the incentive fund for a fiscal year. Any unobligated balance in the incentive fund at the close of a fiscal year shall remain in the incentive fund for distribution in the succeeding fiscal year.

g. Incentive funds shall only be made available to address one or more of the following circumstances:

(1) To reimburse regions for reductions in available funding for core services as the result of the reduction and elimination of the levy under [section 331.424A, Code 2021](#), if the region has an operating deficit. The department shall prioritize approval of incentive funds for the circumstances specified in this subparagraph.

(2) To incentivize quality core services that meet or exceed the defined outcomes in the performance-based contract.

(3) To support regional efforts to fund non-core services that support the defined outcomes of core services in the performance-based contract.

(4) To support non-core services to maintain an individual in a community setting or that would create a risk that the individuals needing services and supports would be placed in more restrictive, higher-cost settings.

h. Subject to the amount available and obligated from the incentive fund for a fiscal year, the department shall annually calculate the amount of moneys due to eligible mental health and disability services regions in accordance with the department's decisions and that amount is appropriated from the incentive fund to the department for payment of the moneys due. The department shall distribute incentive funds payable to the mental health and disability services regions for the amounts due on or before January 1.

i. On or before March 1 and September 1 of each fiscal year, the department shall provide the governor's office and the general assembly with a report of the financial condition of the incentive fund. The report shall include but is not limited to an itemization of the funding source's balances, types and amount of revenues credited, and payees and payment amounts for the expenditures made from the funding source during the reporting period.

j. If the department has made its decisions but has determined that there are otherwise qualifying requests for incentive funds that are beyond the amount available in the incentive fund for a fiscal year, the department shall compile a list of such requests and the supporting information for the requests. The list and information shall be submitted to the commission, the children's behavioral health system state board, and the general assembly.

9. The commission shall consult with regional administrators and the director in prescribing forms and adopting rules to administer [this section](#).

[2012 Acts, ch 1120, §9, 20, 21](#); [2021 Acts, ch 177, §83, 108](#); [2023 Acts, ch 19, §455, 1358](#)

Referred to in [§225C.4](#), [225C.56](#), [225C.58](#), [225C.69](#)