

MENTAL HEALTH AND DISABILITY SERVICES FUNDING STUDY COMMITTEE

December 14, 2018

Co-chairperson: Senator Jeff Edler

Co-chairperson: Representative Joel Fry

Department of Human Services. Mr. Rick Shults, Mental Health and Disability Services (MHDS) Administrator, Department of Human Services (DHS), and Ms. Theresa Armstrong, Community Services and Planning Bureau Chief, DHS, presented the committee with background information regarding the establishment of the 14 MHDS 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 also outlined the actions taken by the regions following enactment of Senate File 504, which directed regions to utilize certain levels of existing fund balances for the payment of services or, if not so used, a reduction in the amount of property taxes levied beginning in FY 2022. Mr. Shults summarized some approaches being taken by regions to adhere to the fund balance requirements while implementing new services required by law.

The committee was given data for each MHDS region that included the FY 2017 ending fund balance, the FY 2018 total revenue, the FY 2018 expenditures, the FY 2018 ending fund balance, FY 2018 ending fund balance as a percentage of expenditures, the FY 2019 actual levy amount, and the FY 2019 maximum authorized levy. Mr. Shults also provided an overview of the MHDS data reporting and collection methods and systems used by DHS and identified the limitations and timeliness of the current data. Mr. Shults acknowledged that despite the challenges of implementing the regional system, MHDS regions have successfully formed networks of delivery that meet or exceed requirements and developed and expanded core services to include services such as crisis services and jail diversion services. According to Mr. Shults, 95 percent of core services meet accessibility standards for almost all regions and availability of service providers remains the primary reason for not meeting access standards.

Mr. Shults and Ms. Armstrong presented data showing a decreased utilization of inpatient services and an increased use of outpatient services between FY 2016 and FY 2017 as well as data showing a decreased use of sheltered workshop services and an increase in the use of community-based integrated services during the same period of time. Mr. Shults and Ms. Armstrong also provided data relating to the use and development of jail diversion programs, Assertive Community Treatment (ACT) teams, and mobile response programs across the state. Additional information was provided to the committee regarding the availability of 23-hour crisis observation facilities, crisis stabilization residential services, subacute facilities, intensive residential service homes, and access centers. The DHS representatives addressed the current development status for access centers among the MHDS regions and the varied approaches to their structure, including the preference for co-location of the associated services.

In response to committee questioning, DHS representatives identified the efficacy and limitations of the current data collection and reporting process utilized by DHS and each of the MHDS regions and the continued improvement of reporting and responsiveness by the regions. Committee members also requested additional information on the varied financial conditions among the MHDS regions and the approaches being used to spend fund balances. DHS representatives also engaged in discussions with committee members regarding the likelihood of fluctuating property tax levy rates for certain counties and regions, the geographic placement of current and planned access centers, and the ability of MHDS regions to pay increased service rates.

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MHDS Regions. Ms. Lori Elam, CEO, Eastern Iowa MHDS, 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.

In response to Senate File 504, four counties in the Eastern Iowa region had to reduce their property tax levy to \$30.78 per capita, while Scott County chose not to increase their levy to a similar level, citing a lack of statutory requirement and the region's available fund balance. Ms. Elam acknowledged the prior disagreements among the region's counties, but expressed optimism that the region had moved on from such problems. The Eastern Iowa region is utilizing a plan under which all counties other than Scott are levying zero for FY 2019 in order to reduce their fund balance. Ms. Elam acknowledged that this approach is likely to result in fluctuating levy rates during future budget years. Ms. Elam also identified the new service requirements contained in House File 2456 as a source of budget uncertainty due to the scope, duration, and cost of the services, which are primarily to better serve individuals with complex needs. Ms. Elam identified the additional costs for expanded "core" services in the Eastern Iowa region's FY 2019 budget, but expressed concern with the required use of fund balances. Ms. Elam believes regionalization to have been a positive process but also that long-term funding solutions are needed.

In response to committee questioning, Ms. Elam detailed the region's decision-making process in electing to use the fund balances more rapidly than other MHDS regions and discussed the need for an increase in the level of allowable fund balances.

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.

Ms. Lerma detailed recent achievements by CROSS including implementing Iowa's first rural ACT team covering all seven member counties and the upcoming opening of an access center. The access center will include assessment and evaluation services with medical clearance, if indicated, 23-hour holds, crisis stabilization residential services, subacute beds, a peer support warm line, mobile crisis services, crisis stabilization community services, and care coordination.

Ms. Lerma discussed financial data for the most recent three fiscal years and the region's five-year fiscal projections, including tax revenues, levy rates, total expenditures, and ending fund balances. Ms. Lerma also discussed the effect on working relationships among the counties following the implementation of the region-wide levy rate cap and resulting reduction of revenue during FY 2018. Ms. Lerma additionally discussed the challenges facing CROSS due to the population loss expected in the member counties.

Ms. Lerma outlined CROSS's development of intensive rehabilitation service homes, crisis stabilization community-based services, and implementation of the Individual Placements and Supports model. Ms. Lerma examined the projected reductions in CROSS's fund balances and the resulting situation where costs exceed revenues and the likelihood that CROSS will eventually be unable to sustain the first quarter expenses with a 25 percent fund balance limitation. Ms. Lerma identified the following to maintain a workable fund balance, sustain services, and avoid waiting lists for services: adequate Medicaid rates for providers; insurance parity; transparency from managed care organizations on billing

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criteria; timely Medicaid eligibility processing; an adequate per capita levy rate, acquisition of additional funding streams; and strong service and case management teams.

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 also 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.

County Board of Supervisors. Mr. Dave Thompson, Marshall County Board of Supervisors, addressed the committee on issues relating to how county supervisors have adjusted and implemented the new regional MHDS system and the recent changes to MHDS funding and required services. Mr. Thompson noted the preference amongst most taxpayers that property tax rates remain consistent rather than experience large fluctuations. Additionally, Mr. Thompson expressed support for proposals that would allow counties and regions to spend fund balances down less quickly and proposals that allow for home rule and that recognize the differing circumstances faced by each MHDS region. Mr. Thompson identified jail diversion programs as a significant success within MHDS regions and, in response to committee questioning, identified 30 percent as a minimum acceptable fund balance standard and the importance of allowing flexibility for regions to make prudent budgeting decisions.

Public Comment. The committee provided the public an opportunity to make comments regarding the subject matter under consideration by the committee. Each individual was allowed to speak for approximately three minutes. Ten individuals offered comments during the public comment period.

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 all funding proposals offered by all presenters during the committee's two meetings. The motion was approved by the committee.

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