Iowa General Assembly

2006 Committee Briefings

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MENTAL HEALTH, MENTAL RETARDATION, DEVELOPMENTAL DISABILITIES, AND BRAIN INJURY (MH/MR/DD/BI) SERVICES FUNDING STUDY COMMITTEE

Meeting Dates: November 28, 2006 | October 3, 2006

Purpose. *This compilation of briefings on legislative interim committee meetings and other meetings and topics of interest to the Iowa General Assembly, written by the Legal Services Division staff of the nonpartisan Legislative Services Agency, describes committee activities or topics. The briefings were originally distributed in the Iowa Legislative Interim Calendar and Briefing. Official minutes, reports, and other detailed information concerning the committee or topic addressed by a briefing can be obtained from the committee's Internet page listed above, from the Iowa General Assembly's Internet page at http://www.legis.state.ia.us/, or from the agency connected with the meeting or topic described.*

MENTAL HEALTH, MENTAL RETARDATION, DEVELOPMENTAL DISABILITIES, AND BRAIN INJURY (MH/MR/DD/BI) SERVICES FUNDING STUDY COMMITTEE

November 28, 2006

Co-chairperson: Senator Amanda Ragan
Co-chairperson: Senator James Seymour
Co-chairperson: Representative Dave Heaton

Background. The Mental Health, Mental Retardation, Developmental Disabilities, and Brain Injury (MH/MR/DD/BI) Services Funding Study Committee was established by the Legislative Council pursuant to legislation enacted during the 2006 Legislative Session. The Study Committee was charged to review formulas used for distribution of state funding for MH/MR/DD/BI services in the state, including examination of the public sources of the funding and programming for the services, and to receive input from counties, advocates for persons with disabilities, and other interested persons. This was the final of the Study Committee's two authorized meetings. The agenda included a wide spectrum of testimony from representatives of the Department of Human Services (DHS), Iowa State Association of Counties (ISAC), services providers, consumers and advocates, and other interested parties.

Financial Information and Data Observations. Mr. Matt Haubrich, DHS, updated financial information distributed at the first meeting. The information indicates that the total of federal, state, county, and client participation funding sources in fiscal year 2004-2005, approximately $1.1 billion, was expended on adult MH/MR/DD/BI services in Iowa. Mr. John Pollak, Legislative Services Agency (LSA), Legal Services Division, reviewed a list of observations and perceptions concerning the system that was developed by a team of staff from DHS, ISAC, and LSA from data and discussions compiled from the Committee's first meeting.

MH/MR/DD/BI System Redesign Report. Mr. Carl Smith, Study Committee member and Chairperson of the MH/MR/DD/BI Commission, provided an overview and update of the commission's system redesign report that was submitted to the Governor and the General Assembly in 2004. The report recommendations address:

- System values.
- Assuring access to information.
- Emphasizing the need for service coordination, and crisis/emergency services.
- Implementing uniform financial eligibility standards.
- Implementing functional/diagnostic eligibility standards.
- Establishing a definition of residency to replace legal settlement for determining financial responsibility.
- Emphasizing the need to identify a minimum set of core services to be available in all areas.
- Emphasizing service consumer choice and involvement.

- Encouraging multicounty service management.
- Re-establishing a separate division in DHS for MH/MR/DD/BI services.
- Implementing strategies for refocusing the services provided through the state resource centers and mental health institutes, including building community capacity.
- Replacing the current county property tax absolute dollar cap with a uniform levy rate range.
- Distributing state and federal block grant funding through a case rate approach.
- Consolidating various state and federal funding streams.
- Proceeding with a redesign of the children's system as recently recommended.

Functional Assessments. Dr. Michael Flaum, University of Iowa, Ms. Susan Koch-Seehase, Opportunity Homes in Decorah, and Ms. Jan Heikes, Central Point of Coordination (CPC) Administrator for Allamakee and Winnesheik Counties, presented. They discussed the assessment tools selected and now being tested in various counties to improve the connecting of services to an individual, using an appropriation provided for fiscal year 2006-2007. There was also discussion of initiatives to identify outcomes and the importance of viewing quality from the consumer point of view. The efforts to implement evidence-based practices are intended to keep local control while applying standardization. The county plans for FY 2007-2008 will be required to address quality assurance provisions.

Assertive Community Treatment. In discussion with the Committee, it was noted that Iowa has a lot of variability between counties or in the use of residential care and community-based care. The Assertive Community Treatment (ACT) team approach, being pilot tested in Iowa and statewide in some states, is effective in avoiding the need for the acute level of treatment. Some members expressed interest in making the ACT team approach available statewide. It was noted that much of the cost savings from the approach is in federal funding sources that have not shown interest in investing in this sort of cost avoidance. Others suggested that more work in educating physicians is needed to reduce reliance on institutional placements.

Case Rates. Mr. Haubrich distributed and discussed an explanation of how case rates may be used as a means of uniformly distributing funding based upon the needs of individual cases. He noted there are four issues to address: investing in good data, finding ways to address financial risk, the frequency with which funding is distributed, and basing distribution on residency rather than legal settlement. Members discussed the need for safeguards to ensure there is no "gaming" of the system.

County Property Tax Levies. Ms. Jane Halliburton, Story County Supervisor and MH/MR/DD/BI Commission member, addressed the property tax provisions in the commission report. She emphasized the commission's goals in this area are to stabilize the system funding and provide a degree of flexibility. Priorities are to consolidate the funding streams into one fund, lift the county absolute dollar caps, and restore the state funding that was removed in FY 2001-2002. Concern was expressed that if the county levy caps are removed, counties will not be consistent about changing those tax provisions, leading to increased disparity. Others suggested that there is a belief that the state will not provide the funding needed for these services, so there is significant support among counties to lift the absolute dollar caps in order for sufficient funding to be provided.

Accountability. Ms. Jennifer Vermeer, DHS Medicaid Deputy Director, Ms. Connie Fett, CPC for Cedar County, and Ms. Shelly Chandler, Association for Community Providers, all discussed the accountability and quality assurance approaches used in the current system. Each raised concerns about shortcomings in the current system, such as communication between Medicaid and the counties, disparities in the approaches used by the various counties, and multiple reporting requirements. Members inquired about confidentiality restrictions and stressed the need to simplify reporting requirements. Members also commented they are hearing from providers about the need for rate increases and from counties about the lack of financial ability to provide for the increases. Some members expressed preference for cost-based approaches to improve consistency.

Cost Reporting Consistency. Ms. Debbie Johnson, DHS Medicaid, related past discussions between counties and Medicaid concerning differences in cost reports. There are many issues to overcome, including the demands of different funding streams, use of different fiscal years, allowable costs such as the amount allowed for indirect costs, and the changing of cost reports resulting in creation of winners and losers. Ms. Carol Logan, Wapello County CPC Administrator, suggested that these issues can be overcome. Members discussed allowable costs.

Data. Mr. Jim Overland, DHS, distributed data sheets that were recently submitted as part of a federal report. DHS has been using a federal data infrastructure grant to enhance data capabilities. The initial set used to create a new data "warehouse" included data on DHS billings of counties, DHS billings for Medicaid, state institutions, and the State Payment Program that has now been transferred to county responsibility. The initial set also includes county-only information from 77 of the counties. All counties will be included in the next data set when December reports are submitted.

Consumers and Advocates. A panel of consumers and advocates made brief presentations. Panel members included Ms. Cherie Clark, Linn County Coordinator for the Conner Center for Independent Living; Mr. Rik Shannon, Governor's DD Council representing the Key Coalition; Ms. Margaret Stout, National Association for the Mentally Ill Iowa; Ms. Sylvia Piper, Iowa Protection and Advocacy Services, Inc.; Mr. Casey Westhoff, The ARC – Iowa; and Mr. Jack Holveck, DHS Office of Consumer Affairs. Issues identified and suggestions made include the following:

- The MH/MR/DD/BI Commission redesign report recommendations and reform initiatives of the IowaCare Program should both continue to receive support.
- Accountability measures should support consumers in achieving their outcomes and should enhance consumer choice, control, and community.
- Funding enhancement is needed; the current funding is not adequate and is not distributed fairly.
- The funding system is too complex; it should be simplified.
- Equality and quality of service access needs to be improved.
- Provider documentation requirements are often too medically oriented and not geared to the needs of the consumers.
- Provide an appropriation specifically directed to direct care staff compensation.
- There are many issues with the fairness and consistency of county due process provisions associated with service approvals, denials, and appeals.
- Eliminate the legal settlement process, or remove the barriers caused by it.
- Encourage multicounty approaches, especially with small counties, to improve consistency.
- Address the shortage of mental health professionals by supporting the use of advanced registered nurse practitioners and applying other approaches.
- Revisit the mental health insurance parity laws to better address substance abuse and other needs.
- Improve data systems.
- Make sure that DHS, public health, corrections, counties, and the justice system all work together to better address the needs of persons with mental illness who become involved with criminal justice.
- Move to state funding and administration of the system.

Provider Panel. A panel of providers made brief presentations. The panelists included Ms. Shannon Strickler, Iowa Hospital Association; Ms. Chandler and Mr. Don Vonnahme, ISAC; and Ms. Diane Diamond, DHS, representing targeted case management providers. Issues identified and suggestions made include the following:

- Address the shortage of mental health professionals.
- Consider developing a "subacute" care category.
- Substance abuse and mental illness are very often coexisting and should be addressed together.
- Slow down the rate of change in the system.
- Implement measures to address the potential for conflict of interest among funders and providers and those who utilize services.
- Provide an oversight authority which ensures accountability and standardization of systems and processes.
- Consider establishing an independent oversight board and take other measures to provide more incentives and consequences to improve consistency and quality.
- Move from the current absolute dollar cap on county property tax revenue to a levy rate.

Growth Recommendation. Mr. Smith and Ms. Sue Lerdal, LSA Fiscal Services, discussed the status of the commission's recommendation for allowed growth for FY 2007-2008 and FY 2008-2009. The commission did not complete its recommendation for FY 2008-2009, but discussed the need to revisit the growth amount enacted for FY 2007-2008 to restore the amount of the reduction applied in FY 2001-2002. Ms. Lerdal supplied a calculation of inflation on the original reduction amount resulting in a figure of $20.4 million to restore the reduction. In addition, late in the 2006 legislative process, $3.1 million was added for FY 2005-2006 that was previously suggested should be included for FY 2006-2007. It was noted that another $2.1 million was added for counties to assume responsibility for state cases in FY

2005-2006.

Small Counties. Mr. Todd Rickert, CPC Administrator for Tama and Grundy Counties and Ms. Lonnie Maguire, CPC Administrator for Harrison, Monona, and Shelby Counties, discussed the financing issues faced by small counties. Both had experienced challenges with counties that had negative fund balances and related strategies used. Close attention to accounting and extensive communications with providers and consumers was needed to make reductions in order to balance the budgets.

Large Counties. Mr. Lynn Ferrell, CPC Administrator, Polk County and MH/MR/DD/BI Commission member, discussed county fund balance problems and the various Medicaid provisions that allowed counties to maintain services within the tight funding experienced in the last several years. He noted that if a 12 percent cost increase is expected for Medicaid, a 6 percent increase for county MH/MR/DD/BI services will result, since Medicaid is half of the expenditures, but allowed growth has rarely been increased by more than 2 percent per year. He provided a list of the waiting list and service elimination measures that have been or will be implemented by Polk County to reduce expenditures. Mr. Smith noted that the commission is increasingly receiving service plan amendments from counties to reduce services.

Proposals and Suggestions. Co-chairperson Heaton asked LSA staff to compile the suggestions and recommendations made for the committee's review. Senator Tinsman provided a number of suggestions. Senator Tinsman and Representative Carroll were recognized for their leadership and efforts to improve MH/MR/DD/BI services.

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MENTAL HEALTH, MENTAL RETARDATION, DEVELOPMENTAL DISABILITIES, AND BRAIN INJURY (MH/MR/DD/BI) SERVICES FUNDING STUDY COMMITTEE

October 3, 2006

Co-chairperson: Senator Amanda Ragan
Co-chairperson: Senator James Seymour
Co-chairperson: Representative Dave Heaton

Overview. The Committee elected co-chairpersons. Various panels consisting of staff from the Department of Human Services (DHS), Legislative Services Agency (LSA), Iowa State Association of Counties (ISAC), and county central point of coordination (CPC) offices made presentations regarding the adult mental health, mental retardation, developmental disabilities, and brain injury (MH/MR/DD/BI) service system.

History, Values, and Goals. Presentations were made by Mr. John Pollak, LSA Legal Services, Ms. Robyn Wilson, DHS, Ms. Linda Hinton, ISAC, and Mr. Bob Lincoln, CPC administrator for Black Hawk, Butler, Cerro Gordo, Floyd, and Mitchell counties. Since 1980, policymakers have sought to address system complexity and disparities. Policy objectives under law include addressing quality services, providing consumer choice and empowerment, focusing services on individual needs, and emphasizing supportive services. Major changes were made in 1993, 1994, and 1995 as laws were enacted to limit county property tax levies for these services to an absolute dollar amount, provide for the state to cover all growth above the county limitations using a distribution formula, and establish the CPC system so professional staff can assist counties in managing service expenditures. Since then, significant effort has been committed to expanding the use of Medicaid funding in this system and targeting the state growth funding to counties who levy at or near the maximum and have low ending fund balances. Some of the service disparity between counties relates to having sufficient population to efficiently deliver a service. Most county service plans provide for a similar array of services, however, the current budget situation has increased the quantity of counties seeking to reduce or eliminate nonmandated services.

Persons Served and Services Provided. Presentations were made by Ms. Jennifer Vermeer, DHS Assistant Medicaid Director, Committee member Ms. Deb Schildroth, CPC Administrator for Story County, and Ms. Kerri Johannsen, LSA Fiscal Services.

- **Medicaid**. Ms. Vermeer outlined the primary Medicaid services, indicated the total federal and nonfederal amounts expended, and the number of persons served in fiscal year 2005-2006. The services identified were intermediate care facilities for persons with mental retardation (ICFMR) with $225 million in expenditures serving 2,157 persons; home and community-based waiver services with $218 million in expenditures serving 7,700 persons; targeted case management with $18 million in expenditures serving 11,000 persons; and adult rehabilitation option (ARO), which is in the process of transition to remedial services, with $36 million serving 4,126 persons. The information provided did not include prescription drug coverage under Medicaid. Approximately one-third of Iowa's Medicaid prescription drug coverage costs, are for psychotropic medications.
- **Non-Medicaid Services**. Ms. Schildroth noted that until the last decade or so Medicaid was used only to cover medical services, but now many other services are covered and Medicaid match consumes an ever larger portion of county budgets. She described the non-Medicaid services provided by counties, including nursing, adult day

services, homeless outreach, non-Medicaid case management, psychiatric hospitalizations, rent and utility subsidies, and legal costs and evaluations in connection with civil commitments. A client's case manager has the most significant role in coordinating the services provided for the client, in conjunction with a stakeholder group. The CPC office has had a significant role in determining Medicaid services, but the system is in transition for that role to be borne by a licensed practitioner of the healing arts.

- **Statistical and Inflation Information**. Ms. Johannsen discussed statistical information provided by DHS and service cost inflation. The DHS information addresses the clients who receive services through Medicaid. For fiscal year 2005-2006, the largest age cohort was ages 18-29 and approximately 58 percent overall were females. The waiver for mental retardation had the largest service population at 7,701 persons, followed by ARO services at 4,126 persons, ICFMR at 2,167 persons, and the brain injury waiver has the smallest number at 524. Significant Medicaid funding is derived from client copayments, amounting to more than $22 million in fiscal year 2005-2006. Medical inflation during the period of fiscal year 2000-2001 through fiscal year 2004-2005 remained relatively constant at approximately 5 percent. Annual inflation rates during that period for MH/MR/DD/BI services were close to that figure, with some significant exceptions.

Service Reimbursement Rate Setting. Ms. Julie Jetter, DHS, moderated this panel consisting of Mr. Jeff Marston, DHS, and Ms. Carol Logan, CPC administrator for Wapello County. Mr. Marston explained the Medicaid rate setting methodology. In general, rates are established with cost reports. The agreed upon costs for the prior fiscal year are used as the default rate for the current fiscal year. Adjustments are made on an annual basis once the cost reports are submitted. In response to questions from members, it was explained that a provider can request an exception to policy adjustment prior to the annual adjustment when exceptional circumstances exist. Ms. Logan explained that 65 counties participate in the County Rate Information System (CRIS) that was implemented by counties to replace the old DHS purchase of service system. A common cost report is utilized that provides counties with the information needed to set rates. An effort to develop a unified cost report that could be used by both DHS Medicaid and CRIS was not completed.

Members questioned why the other 34 counties have not joined CRIS. CPC administrators present cited a variety of reasons, including a desire to set rates on a competitive basis other than cost and that there is not a significant need for CRIS for smaller counties that do not have many services providers present.

Property Tax Portion of System Financing. Presentations made by Mr. Jay Syverson, ISAC, and Ms. Sue Lerdal, LSA Fiscal Services, provided property tax information covering primarily the following fiscal years: FY 1996-1997, 2000-2001, and 2005-2006. Information provided included:

- Since FY 1996-1997 counties have operated under a levy cap that limits the amount levied for MH/MR/DD services funds to a maximum dollar amount that has not been changed. In the first of the fiscal years, when all counties are averaged, system financing consumed nearly 6 percent of all property tax revenues but declined to just over 3 percent in the latest of the fiscal years.
- Over the period, overall county expenditures increased by 7.1 percent and the number of adults receiving services increased by 51.3 percent while the statewide population grew by 3.3 percent.
- Because of differences in property valuation growth between counties and other factors, in the most recent fiscal year the mill rate for counties ranged from a low of 35 cents to a high of $2.69 per $1,000 in valuation.
- Counties have steadily been reducing year-end fund balances. In FY 1999-2000, 75 counties representing 51 percent of the state's population had year-end fund balances equal to or greater than 25 percent of the amount expended for the fiscal year, and 6 counties representing 4 percent of the state's population had fund balances of less than 10 percent. At the end of FY 2004-2005, the 25-percent-plus-fund-balance group declined to 41 counties representing 35 percent of the population, 26 counties representing 42 percent of the state's population had a fund balance of less than 10 percent, and nine counties had negative fund balances.
- Information was provided concerning the annual allowed growth appropriation intended to cover the growth in system expenditures, the allowed growth recommendations made by the MH/MR/DD/BI Commission, the allowed growth recommendations made by the Governor, and the final allowed growth appropriation enacted. For FY 1999-2000 the final appropriation amounted to $18.1 million. It was reduced to $8.8 million for FY 2001-2002 and grew to $38.9 million for FY 2006-2007. Beginning in FY 2001-2002, the annual state appropriation for MH/MR community services was connected to the allowed growth appropriation distribution. The connected appropriation is $17.7 million.
- A graphic explanation of the allowed growth distribution formula was provided. The formula distributes a zero amount to counties that do not levy at least 70 percent of the maximum allowed or carry an ending balance percentage equal to 25 percent or more of expenditures for the fiscal year, and redistributes the savings to counties that meet the levy requirement and have an ending balance percentage of less than 25 percent.

Overall Financing of Service System. Mr. Matt Haubrich, DHS, provided an analysis intended to enumerate all funding from federal, state, county, and client contributions in the system. Because information for the analysis was obtained from uncoordinated information sources, it was not possible to identify an unduplicated or complete count of the persons who received services from the funding and it is likely there are funding sources that were not included. In FY 2004-2005, the analysis indicates that just over $1 billion was expended, with $530 million from federal sources, primarily Medicaid and Supplemental Security Income (SSI), $167 million from mixed state/federal sources, $161 million from state sources, $124

million from county sources, and $22 million from client sources. A rough and incomplete approximation of the number of persons served by that funding indicates that at least 48,000 persons received a service at some point during that fiscal year.

Observations. A panel of staff from DHS, LSA, ISAC, and counties provided a list of observations and perceptions concerning the information presented and responded to member questions. Observations included:

- The overall amount of funding committed to these services, the number of persons receiving Medicaid services, and the number of services provided have all substantially increased.
- The Medicaid Program expenditures are consuming an increasingly larger portion of overall expenditures.
- The largest proportion of the funding is committed to residential costs.
- The expansion of Medicaid waiver services has not resulted in a significant reduction in expenditures for institutional residential services or institutional beds.
- In general, Medicaid does not provide for all the services needed by an individual; non-Medicaid services are needed as well.
- Services currently receiving significant non-Medicaid funding include activities associated with civil commitment, residential care facilities, transportation, therapy, and sheltered workshops. Although some of these services are not Medicaid mandates, many are mandated by Iowa law or comprise a de facto mandate.
- Utilization of the Medicaid Program requires an acceptance of the federal requirements for the program.
- The entitlement nature of the Medicaid Program means that once a person becomes eligible, as long as the person's eligibility and need for services continues, the financial commitment for the services continues as well.

Perceptions. The panel also listed perceptions and concerns raised regarding the system. Perceptions included:

- Even though the quantities of funding and services provided have all increased, there is significant concern that the rise in demand will outstrip the ability to provide funding to meet that demand.
- There is a multitude of funding sources used for the services in the system. Each year it seems as though the requirements change for one or more of the funding sources, causing anxiety and difficulties in the system. Current examples include the upcoming Medicaid changes from ARO to remedial services, and changes in eligibility provisions for supported employment funding provided by Iowa Vocational Rehabilitation Services.
- Community and consumer expectations for the types and quality level of publicly supported services have risen significantly over the last decade and are likely to continue to increase. Consumers have become much more engaged in determining how services are provided.

Discussion. Member discussion included the following:

- Various counties and certain service providers anticipate significant cutbacks in services and the expansion of waiting lists due to funding shortfalls.
- It seems as though the number of young adults with disabilities who have severe behavior problems that cannot be managed in community programs is increasing. Some suggest that additional beds in state institutions may be needed for this population.
- It is difficult to find a pattern among the counties that are experiencing significant financial difficulties. Solutions may have to address multiple problems.
- Interest was expressed in methods to expand county participation in the CRIS.
- Some members expressed interest in developing a new service system model rather than building upon the current fragmented system.
- Some members cautioned that extensive system reform could take a long time and expressed interest in solutions to address problems in the near term.
- Some members expressed interest in strengthening the current state/county partnership system.

Next Meeting. The Committee tentatively agreed to hold the next meeting on Tuesday, November 28, 2006.

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