

STATE OF IOWA DEPARTMENT OF
Health AND **Human**
SERVICES

REPORT ON FINANCIAL CONDITION
OF THE MENTAL HEALTH AND
DISABILITY SERVICES REGIONAL
INCENTIVE FUND

JANUARY 2024

REPORT ON CONDITION OF THE REGIONAL INCENTIVE FUND

THE PURPOSE OF THIS REPORT IS TO SATISFY THE REQUIREMENTS FOUND IN IOWA CODE 2022, SECTION 225C.7A.

§225C.7A.8.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.

INCENTIVE FUND PAYEES AND BALANCE

For the fiscal year beginning July 1, 2023, the incentive fund starting balance was \$29,571,491. This amount was inclusive of the starting balance of \$3,012,954 and \$26,558,537 in monies withheld or returned by Mental Health and Disability Services (MHDS) regions with state fiscal year 2022 ending fund balances that exceeded forty percent of the actual expenditures per §225C.7A.7.

Applications for incentive funds for state fiscal year 2024 were due by November 15, 2023. Polk County Behavioral Health & Disability Services (BHDS) region applied on 6/16/23 to receive incentive funds in the amount of \$5,616,061 for the following allowable circumstances.

- To incentivize quality core services that meet or exceed the defined outcomes in the performance-based contract:
 - i. \$500,000 towards startup of a new intensive residential services home (IRSH) program.
 - ii. \$450,000 for startup costs and initial services for an outpatient competency restoration (OCR) program.
- 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:
 - i. \$4,666,061 to continue to provide community-based services to 525 individuals with intellectual and developmental disabilities. Services to be provided with this funding include supported community living, supported employment, service coordination, and commitment-related services.

Iowa Health and Human Services (HHS) approved the incentive fund application from Polk County BHDS region for the full amount of \$5,616,061. The application sufficiently documented the need for incentive funds and met all the required criteria outlined in Iowa Code Section §225C.7A. Those monies were paid to the region in October, leaving a 2023 calendar year ending balance of \$23,955,430 in the regional incentive fund.

Start Balance	\$	3,012,954
Qtrly Withold (40%)	\$	26,558,537
FY23 Ending Balance	\$	29,571,491
Polk Co Award	\$	(5,616,061)
CY23 Ending Balance	\$	23,955,430

ANTICIPATED INCENTIVE FUND REVENUES

Iowa Code Section §225C.7A.7 requires that each MHDS region with a SFY2023 certified ending fund balance that exceeds twenty percent of the actual expenditures shall have remaining quarterly regional service payments reduced by the amount in excess of twenty percent. If the region's remaining quarterly payments are insufficient to effectuate the reduction, the region is required to pay HHS the additional excess ending fund balance. The service payment reductions and amounts paid to the department shall be transferred and credited to the regional incentive fund.

MHDS REGIONAL INCENTIVE FUND REVENUES			
Excess Ending Fund Balance Amounts			
January 1, 2024 Start Balance	SFY2023 Qtrly Pymt Withholds	Add'l Excess EFB Owed to HHS	Preliminary End SFY2023 Balance*
\$ 23,955,430	\$15,335,146	\$500,296	\$39,790,872

Quarterly payment monies withheld shall be credited to the regional incentive fund in June 2024. Excess ending fund balance payments are due to HHS by June 30th, 2024. The funds remaining in the incentive fund at the end of each fiscal year do not revert to any other fund and remain available for use in subsequent fiscal years.

Applications to receive incentive funds for the fiscal year beginning July 1, 2024, are due on November 15, 2024. To apply for incentive funds for state fiscal year 2025, MHDS regions must meet the criteria outlined in Iowa Code section 225C.7A limiting applications to MHDS regions with an ending fund balance of less than 5% of the actual expenditures for state fiscal year 2023. Of the thirteen MHDS Regions, only one region* will meet the basic financial eligibility criteria to apply in state fiscal year 2025:

Region	Ending Fund Balance as a Percent of Expenditures*
Polk County BHDS	-7.60%

HHS continues to work with MHDS Regional Administrators to gain improved insight into near and long term projections. FY2025 Regional Annual Service and Budget Plans are due to HHS on 4/1/2024. The next report due to the governor's office and the general assembly on the condition of the incentive fund is due on or before September 1, 2024.

* SFY23 expenditures and fund balances are unaudited and change generally occurs after audits.