



# Long-Term Care Bed Need Formula

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# Independent Data Study

## Executive Summary

The Iowa Departments of Inspections, Appeals, and Licensing (“DIAL”) and Health and Human Services (“HHS”) (collectively, “The Departments”) were directed by the 2023 Iowa Legislature in HF 685 to report on improvements to the Certificate of Need (“CON”) nursing facility bed need formula (“bed need formula”), including recommendations related to the process for establishing a projection of future nursing facility bed use taking into consideration the state's changing demographics and the need to ensure an adequate number of nursing facility beds.

A workgroup of stakeholders was established in April 2024, as required by HF 685, to review the existing bed need formula and identify potential changes.

## Overview

The 2023 Iowa Legislature requested a review of the bed need formula and recommendations to update the formula. The following language from HF 685 outlines the request.

“The department of health and human services shall convene a workgroup including representatives of nursing facilities, managed care organizations, the department of inspections, appeals, and licensing, and other appropriate stakeholders to review the existing nursing facility bed need formula. The department of health and human services shall submit a report of the recommendations of the workgroup for improvement to the nursing facility bed need formula, including recommendations related to the process for establishing a projection of future nursing facility bed use taking into consideration the state's changing demographics and the need to ensure an adequate number of nursing facility beds, to the governor and the general assembly by December 2, 2024.”

This report provides recommendations for changes to the bed need formula for the Governor and General Assembly to consider.

A thorough review of the bed need formula components was completed, and the workgroup utilized this information to develop recommendations to improve the formula.

Primary recommendations include:

1. Use four age tiers instead of two.
2. Use a three-year population projection instead of five.
3. Evaluate potential data sources in addition to the census and population projections from the State Data Center of Iowa.
4. Review the formula at least every 10 years.
5. Convene a workgroup, including an actuary, to develop the statistical formula.
6. Keep the delineation between rural and urban counties.
7. Remove residential care and intermediate care facilities from the formula.
8. Update the CON application for nursing facilities.

## Background

In Iowa, CON is a regulatory review process that requires application for, and receipt of, a CON prior to the offering or development of a new or changed institutional health service. The CON program in Iowa is designed to focus on cost containment and access issues. It also provides opportunities for

public input toward improving health care services for Iowa communities. The CON program evaluates community needs and while factoring cost containment and access issues.

Iowa Code § 10A.711(13)"b" defines a health care facility as an institutional health facility, which requires a certificate of need for new or changed services. Nursing facilities ("NF") and skilled nursing facilities ("SNF") are considered health care facilities, thus needing a CON to build new or add beds. This report specifically focuses on nursing facilities.

The State Health Facilities Council ("Council") is a five-member governing body appointed by the governor and confirmed by the State Senate. Authority for the Council is contained in the Code of Iowa §§10A.711 – 10A.729. The Council reviews each CON application and makes the decision to approve or deny the application. The Council is to ensure that growth and changes in the health care system occur in an orderly, cost-effective manner and that the system is adequate and efficient. The formula for determining the need for long-term care beds was originally developed based on the 1970 census and has not been updated since then. At that time, the bed need formula considered the population under 64 and the population 65 plus in each county; segregated urban and rural counties; used a five year population forecast; and separated residential care facilities ("RCF") from NF and Intermediate Care Facilities ("ICF"). The statistical calculation of beds was to serve as a guideline for the Council when reviewing the need for proposed long-term care beds, but there are additional factors that may be taken into consideration.

Free-standing NF and SNF are defined in Iowa Code as an institution or a distinct part of an institution housing three or more individuals not related to the administrator or owner within the third degree of consanguinity, which is primarily engaged in providing health-related care and services, including rehabilitative services, but which is not engaged primarily in providing treatment or care for mental illness or an intellectual disability, for a period exceeding twenty-four consecutive hours for individuals who, because of a mental or physical condition, require nursing care and other services in addition to room and board. As of June 10, 2024, there were five (5) free-standing NF's (915 beds), 381 free-standing NF/SNF's (24,985 beds), and five (5) free-standing SNF's (228 beds) in Iowa. This data does not include facilities that have received CON approval but have not completed the licensure process. There are 12 hospital-based nursing facilities, with a total of 590 beds in Iowa. Additionally, there are three (3) Licensed Only facilities, meaning they are not Medicare or Medicaid certified, with a total of 120 beds.

According to "Older Iowans: 2022," published in May 2022 by the State Data Center of Iowa and the Iowa Department on Aging, the estimated number of people 65 and older in Iowa in 2019 was 553,575, and the projected population for this age group in 2050 is 709,477, an increase of 28%. This publication also notes that there were 24,079 Iowans ages 65 and older in 2019 who lived in group quarters. Group quarters include nursing facilities, military quarters, correctional facilities, as well as college student housing. Iowans ages 65 and older make up 24.7% of the total group quarters population. According to "Older Iowans: 2022", 50.7 percent of Iowans ages 65 and older in 2019 lived in Polk, Linn, Scott, Black Hawk, Dubuque, Johnson, Pottawattamie, Woodbury, Dallas, and Story Counties. It is projected by Woods & Poole Economics, Inc. that in 2050 there will be 85 Iowa counties in which at least 20% of the residents will be age 65 and over. In 2000, that number was 30 counties.

As reported by the U.S. Census Bureau, new metropolitan and micropolitan statistical area definitions were announced by Office of Management and Budget on June 6, 2003, based on application of the 2000 standards with Census 2000 data. Metropolitan and Micropolitan Statistical Areas are collectively referred to as Core-Based Statistical Areas ("CBSA")

- Metropolitan statistical areas have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

- Micropolitan statistical areas are a new set of statistical areas that have at least one urban cluster of at least 10,000 but less than 50,000 population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

As stated by the Iowa State University, Iowa Community Indicators Program, as of 2020, there were nine metropolitan statistical areas in Iowa, comprised of 22 counties in Iowa and 10 in bordering states. According to this same source, there are 15 micropolitan areas in the state. The rest of the counties are rural.

The Iowa HHS provided data in 2023 and 2024 regarding the number of individuals living in nursing facilities across Iowa. This information provided data about the number of those individuals from rural vs. urban counties, as well as an age breakdown. HHS reported that the number of all (0-85+) Medicaid eligible residents in nursing facilities was 10,494 in January 2023 and 10,465 in January 2024. Below is a breakdown of the data regarding the number of individuals residing in nursing homes as reported by Iowa HHS in 2023 and 2024.

### 2023

- 5,904 individuals or 56.3 percent of the all the Medicaid eligible residents were aged 75+.
- A total of 6,424 individuals came from rural counties and 4,045 were from urban counties.

### 2024

- 5,918 individuals or 57 percent of the all the Medicaid eligible residents were aged 75+.
- A total of 6,439 individuals came from rural counties and 4,026 were from urban counties.

Based on this data, it is clear that the need for nursing facility care increases as individuals age, and the primary age group seeking care are individuals 75 and over. Iowa should focus the bed need formula on this population, giving more weight to this age group than those in the 65-74 age group. It is also clear that there is some need for beds for younger age groups but that these groups (0-64 and 65-74) can be given less weight.

In addition to age range, Iowa and other states that have a CON program use such factors as:

- counties as service areas;
- planning horizons (2-5 years);
- nursing facility occupancy rates (from 80%-97% - some states have a 12-24 month look back; Iowa currently has a one week look back); and
- outstanding certificates of need for NF beds in the service area (i.e., CON approved but not yet licensed beds).

Additional factors taken into consideration by some states include a minimum number of beds needed for an addition, encouragement to modernize an existing facility rather than building new, and requiring all NF that have a CON to participate in the Medicaid program.

## Methodology

The Departments were tasked with reviewing and providing recommendations related to the long-term care bed need formula in CON rules. The legislation required engagement of “representatives of nursing facilities, managed care organizations, and other appropriate stateholders.” The Departments requested representation from a variety of stakeholders, including the three managed care organizations, long-term care associations, and nursing facilities representing both urban and rural interests, among others. (See Appendix for workgroup participants.)

The workgroup met every week for six weeks from April 9, 2024, through May 14, 2024, to evaluate the components of the bed need formula and how they were implemented. These individuals provided

a unique perspective on the impact of the components on their respective constituency. The workgroup evaluated each of the components of the formula to establish consensus and discuss the impact of recommendations for change.

## Considerations

The workgroup reviewed the formula as well as the CON application for nursing facilities. While the elements of the statistical formula are somewhat restrictive in the information that can be captured, the application provides the opportunity for an applicant to respond to other factors within the formula about how the proposed project impacts their service area.

Elements	
Statistical Formula	Nursing Facility Application
Statistical calculation	Applicant target population
Population projections	Applicant service area
Forecast into the future (3 years vs. 5)	Special populations – underserved populations
Age tiers (2 tiers vs. 4)	Impact on the availability and utilization of other health and long-term care services in the service area – including hospitals
Rural vs. Urban counties	Occupancy rates of other NF's in the county and contiguous counties
	Documentation of Life Safety and Fire Code adherence
	Cost associated with the project – including per day cost, cost per added bed, and budgets for the first three years of operation

# Here's What We Found

## Recommendations

### 1. Age Tiers

The formula currently uses under 64 and 65 and over as the age tiers to determine nursing facility bed need. Typically, the population of older lowans utilizing nursing facility services are of higher acuity. This recommendation will allow a more detailed utilization of occupancy. It is important to focus on those age groups who will use the services more frequently, and the current formula does not do this. The formula currently uses under 64 and 65 and over as the age tiers. While there are differences in the weights between the two current age groups, there are too many in the 65+ age group to get an accurate sense of how the beds are being used and who needs them the most. The utilization of an actuary or other data projection specialist will help determine accurate weights for each age tier to be included in the statistical formula.

Recommendations:

- Use the following four age tiers: 0-64, 65-74, 75-84 and 85+
- Convene a workgroup to determine the weights for each age tier. (See recommendation 5.)

### 2. Population Projections

The formula currently uses a five-year projection to determine the population in each county. Population projections in five-year age increments (e.g., up to 5, 6-10, etc.) are available from the State Data Center of Iowa through the year 2060. The workgroup discussed the use of a shorter time frame to allow the state agency to accurately estimate population growth, growth factors, and population projections. These factors will allow the formula to remain relevant.

Recommendation:

- Use a three-year population projection.

### 3. Data Sources

Currently, the bed need formula only utilizes census data from the state data center. The workgroup proposed researching economic or other data from Iowa State University and the University of Iowa to evaluate other potential data sources in addition to the census.

Recommendation:

- Research inclusion of economic or other pertinent data from Iowa State University, the University of Iowa, and the Iowa Department of Economic Development.

### 4. Statistical Formula Review

The workgroup discussed the fact that the formula hadn't been updated in over 40 years, making it outdated and inaccurate in today's nursing facility market. They recommended that the formula be updated at least once every 10 years. This allows the population numbers to be updated each decade as new census numbers become available. It also keeps the formula overall more current.

Recommendation:

- Review the formula a minimum of every 10 years and update if needed.

### 5. Formula Workgroup

It was recommended that a formula workgroup, including an actuary or forecasting specialist, be convened to develop a new statistical formula taking into consideration the three-year time frame and new age tiers. An actuary or specialist would be able to assist the workgroup with the statistical calculations needed to arrive at the correct numbers for each age group.

Recommendation:

- Convene a workgroup including representatives of nursing facilities, managed care organizations, the department of inspections, appeals, and licensing, and other appropriate stakeholders such as an actuary or forecasting specialist to review and update the statistical formula.

## 6. Definitions of Rural and Urban Counties

Keep the delineation between rural and urban counties but define them using Core-Based Statistical Areas (“CBSA”) definitions of metropolitan and micropolitan as defined in the overview. The workgroup discussed how an applicant for a nursing facility defines their service area. Currently they use the county of project origin and the contiguous counties.

Recommendations:

- Using CBSAs, update the definitions related to rural and urban areas.
- Population occupancy numbers for each facility will continue to be calculated using the county of origin and its contiguous counties.

## 7. Residential Care Facilities (“RCF”) and Intermediate Care Facilities (“ICF”)

Since the 1970’s the definitions and use of RCF and ICF have changed, and the formula has not kept up with the changes. There are many fewer RCFs in Iowa, and they typically do not cater to individuals who need a nursing facility level of care, meaning they do not need the services of a nurse. ICF is now used to define facilities for individuals with intellectual disabilities and persons with mental illness, rather than those individuals who need a nursing level of care. Definitions of RCF, ICF-ID (intellectual disability) and ICF-PMI (persons with mental illness) can be found in Iowa Code §135C. The workgroup suggested simply removing RCF and ICF from the formula and using the definitions of a nursing facility found in Iowa Code and skilled nursing facility as found in the Administrative Rule.

Recommendations:

- Remove references to RCF and ICF from the formula.
- In keeping with Executive Order 10, the definition of a nursing facility will simply include a reference to the Code section. “Nursing Facility” shall have the meaning set forth in Iowa Code § 135C.1(15) or its successor. (Iowa Code 2024)
- In keeping with Executive Order 10, the definition of a nursing facility will simply include a reference to the Administrative Rule. “Skilled Nursing Facility level of care” shall have the meaning as enumerated in 441 IAC 81.1 or its successor. (IAC 2024)

## 8. CON Application

In order to capture information that cannot be included in a statistical formula, the workgroup recommended updating the CON application for Nursing Facilities along with the formula. This needs to be done to capture information that cannot be put into the statistical calculation.

Recommendation:

- Update the CON nursing facility application as needed, but at a minimum when the statistical formula is updated.

## Conclusions

The Certificate of Need long-term care bed need formula was created in the 1970s and has not been updated since its creation. In the ensuing years, there have been many changes to the long-term care landscape in Iowa. The Workgroup discussed these changes, including population and demographic growth and changes; a greater degree of resident acuity; and the evolution of Continuing Care Retirement Communities and alternatives to nursing care, such as assisted living, and concluded that the formula has not kept up with these changes. In order to have the most up-to-date information and data, the statistical formula should be updated at least every 10 years. Additionally, the CON application should be updated as needed, but no less than every 10 years.

# Appendix

## Committee Members

Role	Individual	Organization	Responsibilities
Program Sponsor/Leadership	Sarah Reisetter <a href="mailto:Sarah.g.reisetter@hhs.iowa.gov">Sarah.g.reisetter@hhs.iowa.gov</a> Cassie Tracy <a href="mailto:Cassandra.l.tracy@hhs.iowa.gov">Cassandra.l.tracy@hhs.iowa.gov</a>	HHS-Compliance Division	Leads and oversees overall project progress.
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Steering Committee	Jennifer Steenblock <a href="mailto:jsteenb@hhs.state.ia.us">jsteenb@hhs.state.ia.us</a>	HHS – Iowa Medicaid	Works with sponsors to establish work group and develop recommendations
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Work Group Member	Brandon Hagen <a href="mailto:brandon@iowahealthcare.org">brandon@iowahealthcare.org</a>	IA Health Care Assoc.	Works with project sponsors to develop recommendations
Work Group Member	Shannon Strickler <a href="mailto:sstrickler@leadingageiowa.org">sstrickler@leadingageiowa.org</a>	Leading Age Iowa	Works with project sponsors to develop recommendations
Work Group Member	Dave Dixon (Care Initiatives) <a href="mailto:ddixon@careinitiatives.org">ddixon@careinitiatives.org</a>	Provider – Urban/Rural	Works with project sponsors to develop recommendations
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