



# HHS Behavioral Health Service System Administrative and Operational Costs Report

JANUARY 2025



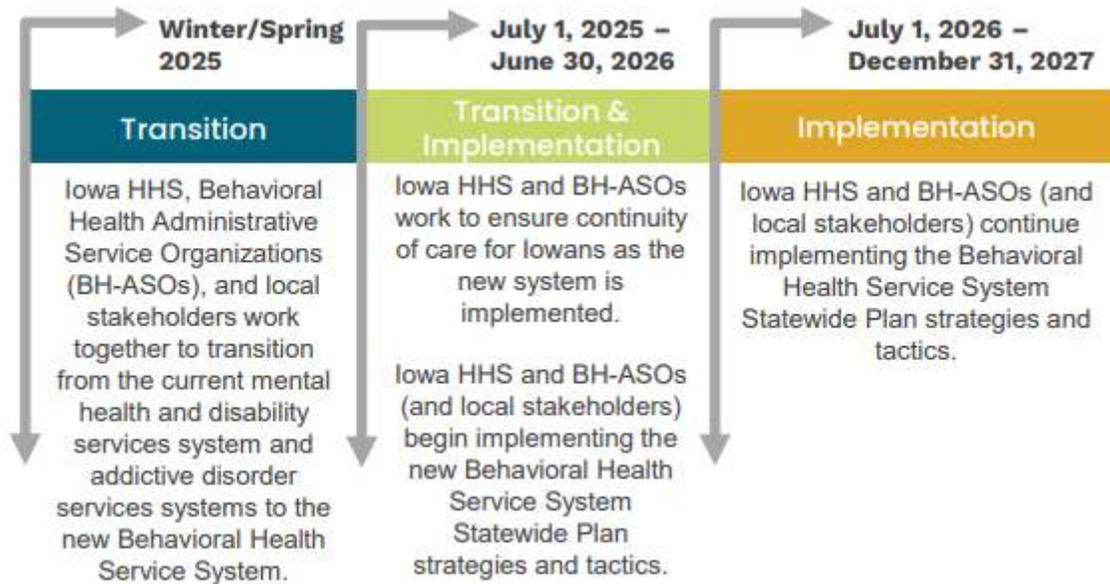
# Behavioral Health Service System Transition Funding

## IOWA'S BEHAVIORAL HEALTH SERVICE SYSTEM

On May 15, 2024, House File 2673 became law. Under this legislation, Iowa will combine the work and funding for mental health and addictive disorders into one Behavioral Health Services System. The legislation also transfers the management of disability services from the Mental Health and Disability Service Regions (MHDS Regions) to the Division of Aging & Disability Services within the Iowa Department of Health and Human Services (HHS).

House File 2673, Division IV, Section 163 directs HHS to submit a report that details the administrative and operational costs for the establishment, implementation, and administration of the Behavioral Health Service System.

The structure for the behavioral health service system includes Iowa HHS, a Behavioral Health Administrative Service Organization (BH-ASO) serving as lead entity, and local providers as a shared responsibility model.



## COSTS ASSOCIATED TO ESTABLISHMENT AND IMPLEMENTATION

Division IV of House File 2673 set aside funding and outlined expectations for the transition period ending June 30, 2025. The most current quarterly status update on Behavioral Health Service System Implementation and transition funding, through December 31, 2024, can be found on the [HHS System Alignment webpage](#).

To implement the requirements outlined in HF 2673 during the transition fiscal year 2025, HHS may access \$1,000,000 of one-time funding, made available from the mental health and disability services regional incentive fund. To date, HHS' transition implementation work has focused mainly on the contracting and technical oversight needed to ensure a smooth transition to the new system. For example, HHS mapped current system requirements and investments, performed significant legal analysis, gathered stakeholder feedback related to system planning, launched new procurements and executed contracts, and planned for the installation of a new statewide behavioral health system.

In addition to the \$1,000,000 in support of transition activities, HHS may access an additional \$645,179 from the same fund for the establishment of a central data repository (CDR). The purpose of the CDR is for collection and analysis of state, district, and provider data. Department of Management Division of Information Technology projects that staff expertise and administrative expenses, technical assistance, and software costs will fully expend the budgeted dollars for the establishment of a CDR.

Through the remaining establishment and implementation timeline, HHS will focus on continuity of care, system readiness and change management, to ease the transfer of current delivery models to establishment of the future state. This work ensures that service recipients do not experience interruptions in essential services and that safety net, behavioral health services remain intact. HHS is in the process of working with the selected contractor who will serve as the statewide ASO, to determine what, if any additional funding is needed for implementation.

Unobligated moneys remaining in the regional incentive fund at the close of fiscal year 2025 are anticipated to be \$40,224,960. Pursuant to section 225C.58, these funds will be transferred to the treasurer of state for deposit into HHS' newly established behavioral health fund by July 1, 2025.

## **BEHAVIORAL HEALTH SERVICE SYSTEM ADMINISTRATIVE COSTS**

The agency's division of Behavioral Health Services will continue to assist in overseeing the legacy system wind-down, while supporting transition activities and ongoing maintenance, as well as operation of provider payment systems.

HF 2673 placed a cap on Behavioral Health Administrative Service Organization (BH-ASO) administrative costs at an amount not more than seven percent of the total amount distributed to the BH-ASO through all state appropriations. Administrative expenses incurred for the BH-ASO in fiscal year 2025, ahead of the new statewide system launch, were not appropriated. However, as is noted above, HHS is working with the selected ASO to define a transition budget and is committed to working with the Legislature on potential funding sources to meet this need. Beginning in fiscal year 2026, Iowa HHS will monitor and report BH-ASO administrative expenditures to ensure compliance with the seven percent administrative expense cap.

Based on current modeling, Iowa HHS anticipates that the proposed BH-ASO staffing structure and consolidated administrative functions will serve to significantly reduce administrative expenses in comparison to historical administrative expenditures, therefore increasing funding available for reinvestment into closing gaps in service provision, quality improvement, and building capacity for behavioral health prevention, early intervention and recovery support.