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**SF 389** – Medicaid, Supplemental Nutrition Assistance Program (SNAP), Eligibility Verification (LSB2201SV)

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Fiscal Note Version – New

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**Description**

**Senate File 389** requires the Department of Human Services (DHS) to implement an eligibility verification system for public assistance programs to verify the eligibility of an individual who is an applicant for any such program. The Bill creates new Iowa Code chapter 239 relating to various eligibility verification and authentication measures for public assistance programs, including:

- Providing definitions used in the new Iowa Code chapter, including the definition of “public assistance,” which includes the Medicaid Program, the Family Investment Program (FIP), SNAP, and the Children’s Health Insurance Program (CHIP).
- Requiring the DHS to conduct an asset test on all members of the household of an applicant for SNAP benefits. The Bill specifies the minimum information from federal, State, and other data sources and public records that the DHS must access prior to determining an applicant’s eligibility for SNAP benefits. The Bill requires the DHS to enter into a memorandum of understanding with any department or subunit of a department to obtain the information specified.
- Requiring that an applicant for SNAP benefits cooperate with the DHS Child Support Recovery Unit (CSRU) as a condition of eligibility for SNAP benefits.
- Requiring that by July 1, 2022, the DHS provide for identity verification, identity authentication, asset verification, and dual enrollment prevention in each public assistance program administered by the DHS. The DHS may contract with a third-party vendor to develop a system or redesign an existing system to verify income, assets, and identity eligibility of applicants and recipients.
- Requiring that prior to being awarded public assistance benefits, an applicant complete a computerized identity authentication process to confirm the applicant’s identity through the use of a knowledge-based questionnaire consisting of financial and personal questions, including questions tailored to assist persons without a bank account or those who have poor access to financial and banking services or who do not have an established credit history.
- Providing that if information obtained from a review of an applicant’s or recipient’s information does not result in the DHS finding a discrepancy or change in an individual’s circumstances affecting eligibility, the DHS is to take no further action. If the information obtained from a review of the applicant’s or recipient’s information results in finding a discrepancy or a change in the individual’s circumstances affecting eligibility, the DHS is to provide written notice to the individual and the opportunity to explain any issues identified.
- Specifying the processes and results depending upon whether an applicant or recipient responds by disagreeing or agreeing with the findings of a review by the DHS. If the applicant or recipient fails to respond to the notice in a timely manner, the DHS is required to

provide notice to terminate the applicant's application or to discontinue the recipient's enrollment for failure to cooperate, and is required to terminate the applicant's application or discontinue the recipient's enrollment.

- Allowing the DHS to refer cases of suspected fraud along with any supportive information to the Department of Inspections and Appeals (DIA) for review. In cases of substantiated fraud, upon conviction, the State is required to review all appropriate legal options including but not limited to removal of a recipient from other public assistance programs and garnishment of wages or State income tax refunds until the DHS recovers an equal amount of benefits fraudulently claimed. The DHS may refer suspected cases of fraud, misrepresentation, or inadequate documentation relating to initial or continued eligibility to appropriate State agencies, divisions, or departments for review of eligibility issues in other public assistance programs.
- Requiring the DHS to adopt administrative rules to administer the Iowa Code chapter and to submit a report to the Governor and the General Assembly by January 15, 2023, and by January 15 annually thereafter through January 15, 2028, detailing the impact of the verification and authentication measures taken under the Bill.
- Requiring the DHS to request federal approval or waivers necessary to administer the Bill, and requiring that the provisions of the Bill requiring federal approval be implemented upon receipt of such federal approval. The provisions of the Bill that do not require federal approval are to be implemented as specified in the Bill or, if not specified in the Bill, no later than July 1, 2022.

### **Assumptions**

All increases in staffing are assumed for four months in FY 2022 and for a full year in FY 2023. In addition, the federal match rate varies by program and activity from 0.0% to 100.0% federal match. Total cost and State share are depicted in the table below.

**Section 2 — Asset Test for SNAP** — Requires 2,000 hours of contract computer work at \$105 per hour to allow the DHS eligibility system to interface with the National Accuracy Clearinghouse and an additional 2,000 hours to contract with a third-party vendor to check against all other data sources at \$105 per hour.

**Section 3 — Cooperation with Child Support Enforcement for SNAP Eligibility** — Requires the following systems changes and staff increases:

- The changes will require 4,645 hours of contract computer work at \$105 per hour to make various changes to the Iowa Collections and Reporting (ICAR) system, the Automated Benefit Calculation (ABC) system, and the Iowa Child Support Case (ICSC) number screen to allow referrals and the systems to communicate.
- DHS field staff will have 12,417 additional referrals to the CSRU, requiring 1.0 full-time equivalent (FTE) position for an Income Maintenance Worker 2 (IMW2).
- Of the cases referred by DHS field staff, 8,626 cases will be new and require the CSRU to establish child support orders and begin enforcement procedures. At current staffing ratios, this will require 16.0 Support Recovery Officer FTE positions, 5.0 Clerk Specialist FTE positions, and 1.0 Support Recovery Supervisor FTE position.
- Each additional FTE position will require \$2,097 for computers and other technology to complete the work, with an ongoing software cost in the second year and beyond of \$818 per FTE position.
- Approximately 77.0% (6,642) of the new cases will require court action to establish a child support order. The CSRU must serve each nonrequesting parent in an establishment action with a notice, which will cost an average of \$5.96 per notice for certified mail. Approximately 45.0% of parents will not accept or pick up the certified mail, requiring the use of a process server or sheriff at an average cost of \$73.37 per case.

#### **Section 4 — Verification and Authentication Systems — Public Assistance Programs —**

Updating the Eligibility Integrated Application Solution (ELIAS) to interface with a new vendor and provide batch changes, form updates, and rules updates is estimated to cost \$2.0 million in FY 2022. In addition, the DHS will require 1.0 Executive Officer 2 FTE position to implement and monitor the new requirements. The additional FTE position will require \$2,097 for a computer and other technology to complete the work, with an ongoing software cost in the second year and beyond of \$818.

#### **Section 5 — Public Assistance Programs — Applicant and Recipient Eligibility**

**Verification** — Approximately 1.0% of individuals receiving benefits will have their benefits canceled due to discrepancies. This includes 5,999 Medicaid recipients, 793 CHIP recipients, 68 FIP recipients, and 1,466 SNAP recipients. Due to both enrollment and costs being skewed by the COVID-19 pandemic, January 2020 data is being used for this estimate.

The DHS will contract with a third-party vendor to complete the verifications required by this Bill. Although actual pricing is unknown, the DHS estimates a \$500,000 annual base contract amount plus a 10.0% contingency payment based on total savings.

**Section 8 — Notice and Right to Be Heard** — As of January 2020, there were 146,566 households receiving SNAP benefits. Sending Requests for Information (RFI) to benefits members and addressing data discrepancies will have the following impact on DHS field staff:

- Due to the additional verifications and data matches, it is assumed that two changes will be reported per year per household, requiring approximately five minutes of staff time per change. This will require an additional 15.0 IMW2 FTE positions.
- There will be 1.0 IMW2 FTE position needed to address data discrepancies for SNAP recipients.
- It is assumed that 1.0% of Medicaid, CHIP, and SNAP cases will be closed due to discrepancies. This will require 4.0 fewer IMW2 FTE positions at current staffing levels.
- At current staffing ratios, the 15.0 additional IMW2 FTE positions listed above will require an additional 1.0 IM Supervisor FTE position and 2.0 Typist Advanced FTE positions.
- Each additional FTE position will require \$2,097 for computers and other technology to complete the work, with an ongoing software cost in the second year and beyond of \$818 per FTE position.
- An additional 7,328 RFIs will be sent at \$0.60 per mailing.

**Section 9 — Referrals for Fraud, Misrepresentation, or Inadequate Documentation** — The DIA anticipates that referrals for investigation will increase from 2.9% of the current SNAP caseload to 3.9%, resulting in an additional 1,432 referrals annually. At current caseloads, this will require 5.0 Investigator III FTE positions. Investigator III positions are home-based and travel throughout the State to do investigative work, which requires that the employees are assigned State vehicles.

**Section 10 — Administration, Rules, and Reporting** — New reporting requirements will require 990 hours of contract computer work at \$105 per hour to update the Data Warehouse to collect data not currently collected. In addition, there will be an additional 140 hours of contract computer work at \$105 per hour to update the Local Area Network.

#### **Fiscal Impact**

Senate File 389 is estimated to increase State costs by \$1.5 million in FY 2022 and save the State \$11.8 million in FY 2023 and subsequent fiscal years. Details of the estimated increase in costs, increases in FTE positions, and savings are listed in the table below for FY 2022 and FY 2023.

**Fiscal Impact Estimate for SF 389**

	FY 2022		FY 2023	
	Total Cost	State Share	Total Cost/Savings	State Share
<b>DHS Staff Costs</b>				
DHS Staff Increase	\$ 766,872	\$ 293,070	\$ 2,300,616	\$ 879,211
Other IT Costs (New Computers)	81,789	39,253	31,918	15,318
<b>Total DHS Staff Costs</b>	<b>\$ 848,661</b>	<b>\$ 332,324</b>	<b>\$ 2,332,533</b>	<b>\$ 894,529</b>
<b>DIA Staff Costs</b>				
DIA Staff Increase	\$ 117,998	\$ 117,998	\$ 364,615	\$ 364,615
Other IT Costs (computer and licenses)	17,500	17,500	\$ 7,500	\$ 7,500
Investigator Vehicles	115,335	115,335	0	0
<b>Total DIA Staff Costs</b>	<b>\$ 250,833</b>	<b>\$ 250,833</b>	<b>\$ 372,115</b>	<b>\$ 372,115</b>
<b>DHS Information Technology</b>				
IT Systems Costs	\$ 3,026,233	\$ 959,159	\$ 0	\$ 0
<b>DHS Miscellaneous Costs</b>				
Third-Party Verification Contract	\$ 0	\$ 0	\$ 6,184,146	\$ 2,978,783
Child Support Notices	0	0	258,889	88,022
Food Assistance Postage	0	0	4,397	2,220
<b>Total DHS Miscellaneous Costs</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,447,431</b>	<b>\$ 3,069,026</b>
<b>DHS Program Savings</b>				
Medicaid	\$ 0	\$ 0	\$ -49,953,560	\$ -15,397,327
Children's Health Insurance Program	0	0	-1,578,908	-418,411
Family Investment Program	0	0	-270,139	-270,139
Food Assistance	0	0	-5,038,849	0
<b>DHS Total Program Savings</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -56,841,457</b>	<b>\$ -16,085,877</b>
<b>SF 389 Total Increased Cost/Savings</b>	<b>\$ 4,125,727</b>	<b>\$ 1,542,316</b>	<b>\$ -47,689,377</b>	<b>\$ -11,750,207</b>

**Sources**

Department of Human Services  
 Department of Inspections and Appeals

/s/ Holly M. Lyons

February 22, 2021

Doc ID 1213345

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.