**HF 2438** – Public Assistance Program Integrity (LSB6217HV)
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Fiscal Note Version – New

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**Description**

_House File 2438_ makes various changes related to public assistance programs under the Department of Human Services (DHS). Changes by section include:

**Section 1** creates various definitions, including defining “public assistance” as the Food Assistance Program, the Medicaid Program, the Family Investment Program (FIP), and the Children’s Health Insurance Program (CHIP).

**Section 2** requires that prior to the DHS awarding public assistance benefits to an applicant, the applicant shall complete a computerized identity authentication process to confirm the identity of the applicant through the use of a knowledge-based questionnaire consisting of financial and personal questions. The questionnaire is to contain 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.

**Section 3** requires the DHS to submit an annual report to the Governor and the General Assembly beginning January 15, 2024, through January 15, 2029, to assess the impact of the Bill.

**Sections 4 through 6** require the DHS to receive and review State and federal information from various entities concerning individuals or individuals in households enrolled in the Food Assistance Program or the Medicaid Program that indicates a change in circumstances that may affect eligibility. Additionally, the Bill requires the DHS to, on at least a monthly basis, cross-check information relating to individuals in households enrolled in the Food Assistance Program or the Medicaid Program, as applicable, with specified federal databases. The Bill requires that prior to determining eligibility for the Medicaid Program, the DHS access information for every member listed in an applicant’s household from the data sources outlined in the Bill and conduct a review of nationwide public records data sources of physical asset ownership. The Bill also requires an applicant for Food Assistance Program benefits to cooperate with the Child Support Recovery Unit (CSRU) as a condition of eligibility as specified under federal law.

**Section 7** requires the DHS to seek approval of an amendment to the Section 1115 demonstration waiver for the Iowa Health and Wellness Plan (IHAWP) from the Centers for Medicare and Medicaid Services (CMS). The Bill requires IHAWP members who are subject to monthly contributions, and who have been disenrolled for failure to pay those contributions, to repay the contributions before reenrolling after their second disenrollment, with contributions not to exceed specified limits. The Bill does not require members to repay monthly contributions in order to reenroll in the Program after being disenrolled the first time for failure to pay.

**Section 8** requires the DHS to request federal approval including for any state plan amendments or waivers necessary to administer the Bill. If the DHS determines that any provision of the Bill would result in the denial of funds or services from the federal government that would otherwise be available or would be inconsistent with the requirements of federal law or regulation, such provision is to be suspended, but only to the extent necessary to eliminate
the inconsistency with federal requirements. The DHS is to implement the provisions of the Bill in an incremental fashion, beginning July 1, 2022, with a goal of full implementation no later than June 30, 2024, to minimize duplication of efforts and to maximize coordination with the implementation time frames of other departmental resource enhancements.

Assumptions

DHS Staff

There will be four months of full-time equivalent (FTE) costs in FY 2023 as the Department begins to ramp up, with all staff costs being annualized in FY 2024.

All the additional staffing requirements in sections 4 through 6 estimate new computer and software costs in FY 2023 of $3,000 per FTE position and $540 for ongoing software costs per FTE position in FY 2024 and beyond.

The provision in section 4 requiring the DHS to check the National Directory of New Hires database is estimated to trigger at least one alert per household for the 127,995 households on both Medicaid and Food Assistance Program annually. Assuming it takes 10 minutes to review the alert, the provision will require:

- 13.0 Income Maintenance Worker 2 FTE positions at $60,000 per position.
- 2.0 Support Staff FTE positions at $44,000 per position.
- 1.0 Income Maintenance Supervisor FTE position at $72,000.

The DHS is to verify United States Department of Housing and Urban Development (HUD) data twice a year, as specified in section 4, for the estimated 43,000 households receiving assistance via HUD. Assuming it will require an average of 12.5 minutes to request and verify information for the alerts, the provision will require:

- 11.0 Income Maintenance Worker 2 FTE positions at $60,000 per position.
- 1.0 Support Staff FTE position at $44,000.
- 1.0 Income Maintenance Supervisor FTE position at $72,000.

The eligibility and asset verification requirements in sections 4 and 6 will require 1.0 Executive Officer 2 FTE position at $85,000 to implement and monitor the requirements.

The provision in section 5 requiring applicants for Food Assistance Program benefits to cooperate with the CSRU will generate an estimated 4,723 additional referrals from DHS filed staff. The CSRU will be required to establish child support orders, begin enforcement procedures, monitor cases for Food Assistance Program noncooperation, and communicate cooperation. At current staffing ratios, this will require:

- 10.0 Support Recovery Officer FTE positions at $60,000 per position.
- 2.0 Clerk Specialist FTE positions at $49,000 per position.
- 1.0 Support Recovery Supervisor FTE position at $74,000.

Information Technology (IT) Costs

The IT changes in sections 2, 4, 5, 6, and 7 will require various one-time IT systems costs to update interfaces, make changes to the master client index, link with required data sources and systems, and build a dashboard and reporting requirements. These one-time costs are estimated to cost $33.6 million and will be completed over two years beginning in FY 2023.

Beginning in FY 2025, it is estimated there will be an ongoing vendor interface cost to six different vendors to access the data sources required by the Bill. The estimated cost per vendor contract is $1.0 million. In addition, there will be ongoing IT maintenance and operations costs of $360,000 annually.
**Miscellaneous Costs**

Identity and authentication requirements in section 2 will require the DHS to send an additional 7,328 requests for information, reported at $0.60 per mailing, due to Food Assistance Program changes.

Requirements in section 4 to access Internal Revenue Service data will require all Income Maintenance Worker 2 FTE positions to receive Federal Bureau of Investigation (FBI) background checks. The cost of a background check is $61 per employee. It is estimated that the DHS hires 100.0 new Income Maintenance Worker 2 FTE positions annually. Every five years, the DHS will need to complete a new background check for each employee.

The provision in section 5 requiring cooperation with the CSRU will require court action to establish child support orders for approximately 73.0% (3,448) of the new cases. The CSRU must serve each nonrequesting parent in an establishment action with a notice, which will cost an average of $11.61 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 $76.11 per case. The average cost to serve the requesting parent by regular mail is $0.71.

**Program Impacts**

Beginning in FY 2025, approximately 1.0% of individuals receiving benefits will have their benefits canceled due to discrepancies. This includes 7,368 Medicaid recipients, 777 CHIP recipients, and 1,421 Food Assistance Program recipients.

**Federal Match Rate**

The federal match rate varies by program and activity. Total cost and State share are depicted in the table below.

**Fiscal Impact**

*House File 2438* is estimated to increase State costs by $6.7 million in FY 2023 and $7.5 million in FY 2024. Beginning in FY 2025 and subsequent fiscal years, the Bill is estimated to decrease State costs by $13.1 million annually. Details of the estimated DHS staff costs, increases in IT and miscellaneous costs, and savings are listed in the table below for FY 2023 though FY 2025.
The DHS currently refers cases of suspected fraud, along with any supporting information, to the Department of Inspections and Appeals (DIA) for investigation. In FY 2021 the Economic Fraud Control Bureau responded to 4,966 referrals and investigations from those referrals resulted in $5.0 million in savings to the State. Sections 2, 4, and 6 of the Bill may increase the number of referrals from the DHS to the DIA, but the number of new referrals cannot be estimated and it is assumed that any additional referrals can be absorbed by current staff. If there is a substantial increase in referrals, the DIA may need to hire additional investigators.

**Sources**

Department of Human Services  
Department of Inspections and Appeals

/s/ Holly M. Lyons  
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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.

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