



[HF 2546](#) – Medicaid, Psychiatric Intensive Care Unit Rates (LSB5588HZ.1)
Staff Contact: Jess Benson (515.281.4611) jess.benson@legis.iowa.gov
Fiscal Note Version – Final Action

Description

[House File 2546](#) requires the Department of Human Services (DHS) to implement a tiered rate reimbursement methodology for psychiatric intensive inpatient care under the Medicaid program no later than January 1, 2023. The new tiered methodology is to be based on the level of patient acuity and other factors as recommended in the Inpatient Bed Tracking Study Committee Report submitted to the Governor and the General Assembly on December 1, 2021.

Background

[Senate File 524](#) (FY 2022 Bed Tracking Workgroup Act) directed the DHS to convene a study committee to develop recommendations for improving Iowa's existing bed tracking system and access to inpatient psychiatric care. The Committee recommended in its [report](#) that the Iowa Medicaid Enterprise (IME) perform an analysis to determine appropriate tiers and associated rates and to project the associated fiscal impact to implement a tiered reimbursement methodology based on patient acuity and establish an intensive psychiatric level of care. The DHS committed to this and stated in the report that findings of this analysis, including comparison to other states, options to be considered for the development of specialized care units, potential code changes, reimbursement requirements, and fiscal impact, will be reported by the DHS to the General Assembly and the Governor by June 30, 2022.

Assumptions

- Any rate changes or new rate tiers implemented by this Bill will be budget neutral unless additional funding is provided.
- To implement a tiered rate methodology by January 1, 2023, the DHS will need to accelerate its current schedule for developing new rates. To do this, the DHS will contract with an actuarial services vendor at a cost of \$100,000.
- Until a cost survey is completed and rates are developed, the estimated cost to add a psychiatric intensive inpatient care reimbursement tier is estimated to cost \$1,021.26 per day, which is the average per diem cost at the two State mental health institutes (MHIs). This rate is \$463.57 more per day than the average cost of a current inpatient psychiatric bed paid by Medicaid.
- Medicaid paid for 172,091 inpatient psychiatric bed days in FY 2021.
- Utilization of the new psychiatric intensive inpatient tier is estimated to range between 2.5% and 14.0% of inpatient psychiatric bed days.
- The federal medical assistance percentage (FMAP) rate is 63.13% for the inpatient psychiatric bed day expenditures and 50.00% for administrative costs.

Fiscal Impact

House File 2546 is estimated to cost \$50,000 in FY 2023 due to the administrative costs associated with contracting with a vendor to develop a new tiered rate methodology. There is no fiscal impact related to the new tiered rate methodology because the DHS will implement it to be budget neutral unless additional funding is provided.

While the fiscal impact of fully funding a new rate methodology is unknown until the methodology is developed, the DHS provided a general estimated range to create a new psychiatric intensive inpatient tier using a rate based on the current average MHI cost per day. The DHS estimates that a new psychiatric intensive inpatient tier would cost the State between \$735,000 and \$4.1 million depending on utilization. Details of the range estimate are provided in the table below.

Estimated Cost of Intensive Inpatient Reimbursement

MHI Daily Rate	Inpatient Psych Daily Rate	Difference	Total Psych Bed Days	Utilization of Intensive Tier	Total	State
\$ 1,021.26	\$ 557.69	\$ 463.57	172,091	2.5%	\$ 1,994,406	\$ 735,337
				8.0%	\$ 6,382,098	\$2,353,080
				14.0%	\$11,168,671	\$4,117,889

Source

Department of Human Services

/s/ Holly M. Lyons

June 24, 2022

Doc ID 1290734

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.
