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[SF 494](#) – Medicaid, Supplemental Nutrition Assistance Program (SNAP), Eligibility Verification (LSB1320SV.1)

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Fiscal Note Version – As amended and passed by the Senate

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### **Description**

[Senate File 494](#) makes various changes related to public assistance programs under the Department of Health and Human Services (HHS). Changes by section include the following:

- **Section 1** creates various definitions, including defining “public assistance” as the Supplemental Nutrition Assistance Program (SNAP), the Medicaid Program, the Family Investment Program (FIP), and the Children’s Health Insurance Program (CHIP); “asset” as liquid assets and other personal property excluding one vehicle and the fair market value in excess of \$10,000 of an additional vehicle; and “asset test” as including the value of all assets of all members of the applicant’s household up to \$15,000.
- **Section 2** establishes the gross countable monthly income threshold for SNAP in Iowa at 160.0% of the federal poverty level (FPL) for the household.
- **Section 3** requires that prior to the HHS awarding public assistance benefits to an applicant, the applicant shall complete, through a variety of available methods, a computerized identity authentication process to confirm the identity of the applicant through a knowledge-based questionnaire consisting of financial and personal questions. The questionnaire will 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. The Bill allows the HHS to adopt administrative rules to administer **Section 3**.
- **Section 4** requires the HHS to receive and review State and federal information from various entities concerning all individuals in the applicant’s household and their assets for the purposes of determining eligibility for receipt of SNAP benefits.
- **Section 5** requires the HHS, by July 1, 2025, to modify or create a computerized system, or contract with a third-party entity, to provide for identity verification and authentication, asset verification, and dual enrollment prevention for real-time eligibility verification in each public assistance program. The HHS is required to seek federal approval to implement **Section 5**.
- **Section 6** requires all initial applications and ongoing recipient eligibility for public assistance to be processed through a system that reviews federal sources, including the Internal Revenue Service (IRS), Social Security Administration (SSA), U.S. Department of Health and Human Services, U.S. Department of Homeland Security, and the Federal Bureau of Investigation (FBI); State sources, including the HHS and Iowa Workforce Development (IWD); and other sources of information. Before initial eligibility for public assistance is determined, the HHS is required to review physical asset ownership and to review information related to identity fraud, defaults, or arrest warrants.
- **Section 7** requires the HHS to respond to discrepancies in an applicant’s or recipient’s information affecting eligibility for public assistance.
- **Section 8** requires the HHS to provide written notice to an applicant or recipient to explain any issues identified during an application review. The HHS must reevaluate any finding if the applicant or recipient disagrees with the HHS. The applicant or recipient must be provided 10 days to respond to the written notice. If the applicant or recipient of public

assistance fails to respond in a timely manner, the HHS is required to provide notice before an application is denied or public assistance is terminated.

- **Section 9** allows the HHS to refer cases of suspected fraud to the Department of Inspections and Appeals (DIA) for review.
- **Section 10** requires the HHS to adopt administrative rules to administer the Bill, and to submit an annual report to the Governor and the General Assembly beginning January 15, 2025, through January 15, 2030, to assess the impact of the Bill.
- **Section 11** requires applicants for or recipients of Medicaid to cooperate with Child Support Services as a condition of eligibility and requires the HHS to adopt administrative rules to administer **Section 11**.
- **Section 12** requires the HHS to request federal approval, including for any State plan amendments or waivers necessary to administer the Bill. Any provisions of the Bill requiring federal approval must be implemented once approval is received. **Section 12** allows provisions in the Bill to be suspended if they are incongruent with federal law or regulations and jeopardize federal funding or services. **Section 12** also requires the HHS to implement provisions in the Bill incrementally, beginning July 1, 2023, and ending July 1, 2025. The HHS is required to implement provisions that do not require federal approval by July 1, 2025. The HHS is allowed to contract with multiple third-party vendors to administer the Bill.

### **Background**

SNAP is administered federally through [7 C.F.R. §271-285](#) and in Iowa through [441 IAC 65](#). SNAP benefits must be utilized by eligible recipients, per federal [guidelines](#), on a specific set of foods, including fruits and vegetables, meat, dairy products, breads and cereals, snack foods, and seeds and plants. Asset tests for receipt of SNAP benefits are specified in [7 U.S.C. §2014\(g\)\(1\)](#) and include members of the applicant's household. In FY 2023, allowable federal asset limits are \$2,750 (including bank accounts), or \$4,250 if at least one member of the household is age 60 or older or disabled. Certain resources are not counted when determining eligibility, including homes. Allowable assets for review by State agencies include boats, vacation homes, savings accounts, and the value of vehicles used for household transportation purposes. Federal regulations ([7 C.F.R. §273.11\(o\)](#)) provide a State option to disqualify custodial parents from participation in SNAP unless the individual cooperates with a State agency. There is currently no State statute related to asset tests for SNAP.

In FY 2022, the average number of recipients in Iowa receiving SNAP benefits was 287,000, while the average amount of monthly benefits issued was \$60.4 million. SNAP funding for benefits is received from the federal government; however, 50.0% of administrative costs are paid by the State. In FY 2022, the HHS paid \$2.2 million from the General Fund for SNAP administration and information technology (IT) expenses to match regular and pandemic-era federal funding. Federal income thresholds for SNAP are specified at 130.0% of the FPL, with states able to exceed the floor. The current Iowa Code contains no provision regarding the income threshold for SNAP recipients, although the HHS has administered the program at 160.0% of the FPL, which is the level specified in the Bill. **Figure 1** shows FPL thresholds by family size for 2023.

**Figure 1 — 2023 Federal Poverty Level Thresholds**

Family Size	100.0%	130.0%	160.0%
<b>1</b>	\$ 14,580	\$ 18,954	\$ 23,328
<b>2</b>	19,720	25,636	31,552
<b>3</b>	24,860	32,318	39,776
<b>4</b>	30,000	39,000	48,000
<b>5</b>	35,140	45,682	56,224
<b>6</b>	40,280	52,364	64,448
<b>7</b>	45,420	59,046	72,672
<b>8</b>	50,560	65,728	80,896

State Medicaid statute is codified in Iowa Code chapter [249A](#), while the Iowa Health and Wellness Plan (IHAWP) is established in Iowa Code chapter [249N](#). There is currently no State statute for asset tests to Medicaid or IHAWP. Federal asset verification for Medicaid is codified in [42 U.S.C. §1396a](#) for aged, blind, and disabled individuals, and [42 U.S.C. §1396w](#) requires states to have submitted an asset verification plan to the Centers for Medicare and Medicaid Services (CMS). There is no asset test for children, based on federal statute.

The Department of Inspections and Appeals (DIA) currently employ 19.0 Investigator 3 FTE positions to investigate referrals from HHS. These positions are funded through a combination of federal and State moneys, the General Fund, and through DIA’s memorandums of understanding (MOU) contract with HHS.

**Assumptions**

All staff increases are phased in beginning in FY 2024 and completed by the end of FY 2025, assuming a total of 37.7 full-time equivalent (FTE) positions in FY 2024, 169.2 FTE positions in FY 2025, and 219.0 FTE positions in FY 2026 and subsequent fiscal years. 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 **Figure 2**.

**HHS Staff**

There will be three years of full-time equivalent (FTE) position cost integration beginning in FY 2024 as the HHS begins to implement the program, with all staff costs being annualized by FY 2026.

New staff due to **Sections 3, 4, 6, and 11** will result in new computer and software costs of \$3,000 per FTE position and \$2,000 for ongoing software costs per FTE position.

**Section 4** requiring the HHS to check and review new data sources, including usage of the National Directory of New Hires database for the 135,000 households participating in SNAP, will take 28 minutes per household for 4 new data sources, and will require the following:

- 39.0 Income Maintenance Worker 2 FTE positions at \$61,000 per position.
- 5.0 Support Staff FTE positions at \$45,000 per position.
- 3.0 Income Maintenance Supervisor FTE positions at \$75,000 per position.

**Section 6** requiring the HHS to check and review new data sources, including reviewing tax information and fleeing felon information for 135,000 SNAP households and 216,000 Medicaid households annually at 14 minutes per review, will require:

- 51.0 Income Maintenance Worker 2 FTE positions at \$61,000 per position.
- 7.0 Support Staff FTE positions at \$45,000 per position.
- 3.0 Income Maintenance Supervisor FTE positions at \$75,000 per position.

**Section 11** requiring cooperation with Child Support Services will create approximately 37,000 new cases for the HHS and will require:

- 86.0 Support Recovery Officer FTE positions at \$61,000 per position.
- 7.0 Support Recovery Supervisor FTE positions at \$77,000 per position.
- 7.0 Assistant Attorneys General FTE positions at \$121,000 per position.
- 7.0 Clerk Specialist FTE positions at \$50,000 per position.
- 2.0 Management Analyst FTE positions at \$77,000 per position.

Provisions in **Sections 3, 4, and 6** that allow a vendor contract and administration of MOUs will require 1.0 Management Analyst 3 FTE position at \$77,000 for management.

### **Miscellaneous**

The provisions in **Sections 4 and 6** that require IWD to share information with the HHS will create the need for 1.0 additional FTE position at the Labor Market Research Economist 3 classification within the IWD at \$72,000. The position will be staffed in January 2024, reducing FY 2024 salary and benefit expenditures by 50.0%, with full-time annualization beginning in FY 2025. IWD also charges fees to State agencies for access to unemployment insurance information and would be expected to collect \$350 per fiscal year from the HHS beginning in FY 2024, resulting in a net zero State cost.

Requirements in **Sections 4 and 6** to access IRS data will require all Income Maintenance Worker 2 FTE positions to receive FBI background checks. The cost of a background check is \$61 per employee. It is estimated that the HHS will hire 49.0 new Income Maintenance Worker 2 FTE positions annually. Every five years, the HHS will need to complete a new background check for each employee.

**Section 11** requiring cooperation with Child Support Services will require court action to establish child support orders for approximately 73.0% (27,000) of the new cases. Child Support Services must serve each nonrequesting parent in an establishment action with a notice, which will cost an average of \$14 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 \$79 per case. The average cost to serve the requesting parent by regular mail is \$1.

### **Information Technology (IT) Costs**

The IT changes in **Sections 2, 3, 4, 6, and 11** will require various one-time IT systems costs to update interfaces, link with required data sources and systems, and build a dashboard and reporting requirements. These one-time costs are estimated to be \$5.5 million, of which \$2.4 million are costs to the State, and will be completed over three years beginning in FY 2024. Ongoing maintenance is a part of the current HHS IT contract.

### **Program Impacts**

Beginning in FY 2026, it is assumed that 1.0% of individuals receiving benefits will have their benefits canceled due to discrepancies. This includes approximately 8,000 Medicaid recipients, 600 CHIP recipients, 100 FIP recipients, and 2,800 SNAP recipients.

It is estimated there will be a third-party contract to help administer **Sections 3, 4, 5, and 6** with a cost of \$7.0 million in FY 2027, of which approximately \$3.3 million are State funds. The price of the vendor contract is assumed to be a \$500,000 base contract amount plus a 10.0% contingency payment based on total savings.

## Federal Match Rate

The federal match rate varies by program and activity. Total cost and State share are depicted in **Figure 2**.

## Fiscal Impact

Senate File 494 is estimated to increase State General Fund costs by \$1.6 million in FY 2024 and \$5.9 million in FY 2025, and decrease State costs by \$200,000 in FY 2026. Beginning in FY 2027 and subsequent fiscal years, the Bill is estimated to decrease State costs by \$8.2 million annually. Details of the estimated HHS and IWD staff costs, increases in IT and miscellaneous costs, and savings are listed in **Figure 2** for FY 2024 through FY 2027.

**Figure 2 — SF 494 Fiscal Impact vs. Current Law**

	FY 2024			FY 2025			FY 2026			FY 2027		
	FTEs	Total Cost	State Share	FTEs	Total Cost	State Share	FTEs	Cost/Savings	State Share	FTEs	Cost/Savings	State Share
<b>HHS Staff Costs</b>												
HHS Staff Increase	37.2	\$ 1,305,000	\$ 456,000	168.2	\$10,710,000	\$4,151,000	218.0	\$ 13,719,000	\$ 5,453,000	218.0	\$ 13,719,000	\$ 5,453,000
Support Costs		890,000	303,000		2,034,000	843,000		1,679,000	629,000		1,680,000	629,000
<b>Total HHS Staff Costs</b>		<b>\$ 2,195,000</b>	<b>\$ 759,000</b>		<b>\$12,744,000</b>	<b>\$4,994,000</b>		<b>\$ 15,398,000</b>	<b>\$ 6,082,000</b>		<b>\$ 15,399,000</b>	<b>\$ 6,082,000</b>
<b>IWD Staff Costs</b>												
IWD Staff Increase	0.5	\$ 36,000	\$ 36,000	1.0	\$ 72,000	\$ 72,000	1.0	\$ 72,000	\$ 72,000	1.0	\$ 72,000	\$ 72,000
<b>Total IWD Staff Costs</b>		<b>\$ 36,000</b>	<b>\$ 36,000</b>		<b>\$ 72,000</b>	<b>\$ 72,000</b>		<b>\$ 72,000</b>	<b>\$ 72,000</b>		<b>\$ 72,000</b>	<b>\$ 72,000</b>
<b>HHS Information Technology</b>												
IT Systems Costs		\$ 1,846,000	\$ 807,000		\$ 1,846,000	\$ 807,000		\$ 1,846,000	\$ 807,000		\$ 0	\$ 0
<b>Total HHS IT Costs</b>		<b>\$ 1,846,000</b>	<b>\$ 807,000</b>		<b>\$ 1,846,000</b>	<b>\$ 807,000</b>		<b>\$ 1,846,000</b>	<b>\$ 807,000</b>		<b>\$ 0</b>	<b>\$ 0</b>
<b>HHS Program Savings</b>												
Medicaid		\$ 0	\$ 0		\$ 0	\$ 0		\$-28,629,000	\$-8,514,000		\$-57,258,000	\$-17,028,000
Children's Health Insurance Program		0	0		0	0		-874,000	-219,000		-1,748,000	-439,000
Food Assistance Program		0	0		0	0		-95,000	-95,000		-189,000	-189,000
SNAP		0	0		0	0		-2,700,000	0		-5,400,000	0
Third-Party Contract		0	0		0	0		3,480,000	1,668,000		6,960,000	3,337,000
<b>HHS Total Program Savings</b>		<b>\$ 0</b>	<b>\$ 0</b>		<b>\$ 0</b>	<b>\$ 0</b>		<b>\$-28,818,000</b>	<b>\$-7,160,000</b>		<b>\$-57,635,000</b>	<b>\$-14,319,000</b>
<b>SF 494 Total Cost/Savings</b>		<b>\$ 4,077,000</b>	<b>\$ 1,602,000</b>		<b>\$14,662,000</b>	<b>\$5,873,000</b>		<b>\$-11,502,000</b>	<b>\$ -199,000</b>		<b>\$-42,164,000</b>	<b>\$ -8,165,000</b>

The HHS currently refers cases of suspected fraud, along with any supporting information, to the DIA for investigation. In FY 2022, the Economic Fraud Control Bureau responded to 4,696 referrals, and investigations from those referrals resulted in \$3.3 million in savings to the State. **Section 9** of the Bill may increase the number of referrals from the HHS 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.

## Sources

U.S. Department of Agriculture  
 Department of Health and Human Services  
 Iowa Workforce Development  
 Centers for Medicare and Medicaid Services  
 Department of Inspections and Appeals

/s/ Jennifer Acton

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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.