



[HF 2292](#) – Mental Health Institutes, Inpatient Psychiatric Bed Capacity (LSB5437HV.1)
Staff Contact: Lindsey Ingraham (515.281.6764) lindsey.ingraham@legis.iowa.gov
Fiscal Note Version – As amended and passed by the House

Description

[House File 2292](#) requires the Department of Health and Human Services (HHS) to apply to the Centers for Medicare and Medicaid Services (CMS) for a waiver of Medicaid’s [institution for mental diseases \(IMD\) exclusion](#) by July 1, 2027. No later than one calendar year after receiving approval for the waiver, the HHS is required to double the number of inpatient psychiatric beds at the Cherokee Mental Health Institute (MHI) and Independence MHI based on the number of beds that were at each MHI on June 30, 2025.

Background

The Cherokee MHI provides acute psychiatric care for adults ordered into the custody of the State for purposes of competency restoration, adults who have been acquitted of a crime by reason of insanity, and similarly situated adults. Currently, the Cherokee MHI has 36 adult beds at the facility.

The Independence MHI provides acute psychiatric care for adults, adolescents, and children, including specialized treatment of behaviorally complex youth. Currently, the Independence MHI has 56 beds at the facility, of which 36 are designated as adolescent beds and 20 are designated as adult beds.

An IMD is a hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing a diagnosis, treatment, or care of persons with mental diseases. Medicaid’s IMD exclusion prohibits the federal government from providing federal Medicaid funds to states for services rendered to certain Medicaid-eligible individuals who are patients at IMDs. Federal law includes exceptions to the IMD exclusion for children under the age of 21 and individuals aged 65 and older. States can request a [Section 1115 waiver](#) to provide Medicaid coverage for individuals aged 21 through 64 with a serious mental illness or substance use disorder for short-term stays in IMDs. States may claim federal financial participation (FFP) for stays up to 60 days as long as the average length of stay is 30 days or less, as determined by the midpoint assessment. Currently, a Medicaid-eligible individual’s stay at an IMD is covered by their managed care plan for up to 15 days in a month through In Lieu of Services (ILOS).

Assumptions

Contracts

- The CMS will approve the application for a waiver of Medicaid’s IMD exclusion.
- Iowa Medicaid will need an amendment with the current waiver technical assistance contract.
- The waiver technical assistance contract is billed at \$257.50 per hour.
- Amending the waiver technical assistance contract will require 2,000 hours of work in FY 2028 to submit the waiver to CMS, 1,000 hours of work in FY 2029 to account for implementation, and 500 hours of work annually through FY 2032.

- Costs incurred while amending the waiver technical assistance contract will be paid through State and federal funds in equal shares.
- Actuarial services will be required to implement the federal waiver.
- Actuarial services' costs will be paid through State and federal funds in equal shares.
- The actuarial services contract estimates a cost of \$100,000 for implementing requirements of the Bill.
- Iowa Medicaid will amend a contract with the University of Iowa evaluating and researching Iowa's Section 1115 waiver.
- Amending the University of Iowa contract to include the waiver for the IMD exclusion will increase costs by \$550,000 annually.
- The State is eligible for 50.0% FFP on the University of Iowa contract.

Medicaid

- The proportion of Medicaid-eligible individuals who will qualify for Medicaid funding under the waiver for the IMD exclusion to noneligible individuals will not change from the proportion in FY 2024.
- In 2024, there were 61 Medicaid-eligible individuals who would have qualified for Medicaid funding under the waiver for the IMD exclusion admitted to the Cherokee MHI.
- In 2024, there was one Medicaid-eligible individual who would have qualified for Medicaid funding under the waiver for the IMD exclusion admitted to the Independence MHI.
- The average length of stay for Medicaid-eligible individuals at the MHIs will increase to 30 days as a result of the waiver for the IMD exclusion.
- All beds will be occupied.
- The State will pay 30.66% of Medicaid costs, while federal funds will cover 69.34% of the costs for Medicaid-eligible individuals who qualify for the IMD exclusion waiver.
- The State will pay 36.67% of Medicaid costs, while federal funds will cover 63.33% of the costs for traditional Medicaid.
- The cost per day for residents at the MHI will not change from the cost in effect in FY 2024.
- The reimbursement per day for residents at the Cherokee MHI under the waiver for the IMD exclusion will be \$893.75.
- The reimbursement per day for residents at the Independence MHI under the waiver for the IMD exclusion will be \$918.18.
- The Medicaid IMD revenue to the MHIs, as permitted under Iowa Code section [218.97](#), will increase by \$2.9 million.
- The revenue returned to the General Fund, as required by Iowa Code section [218.78](#), will increase by \$9.5 million. Of that revenue, \$736,000 is from Medicare, \$4.5 million is from Medicaid, and \$4.3 million is from other revenue sources.
- Expenditures for Medicaid will increase by \$7.4 million.
- The increased bed access and reimbursement at the MHIs will result in fewer placements at other inpatient psychiatric facilities, which will reduce Medicaid expenditures by \$3.1 million.
- The net increase to Medicaid expenditures will be \$4.3 million.

Cherokee MHI

- There will be one-time implementation costs at the Cherokee MHI, including infrastructure modifications, information technology (IT) equipment, additional fleet vehicles, pharmacy medication cabinets and associated IT equipment for three wards, and psychiatric safe furniture for three wards. **Figure 1** shows the one-time costs to the HHS for the Cherokee MHI to implement the Bill for FY 2028.

Figure 1 — Cherokee MHI One-Time Costs for FY 2028

One-Time Need	Cost
Infrastructure Modifications	
North Ward 3 Remodel	\$ 1,135,000
North Ward 7 Remodel	860,000
North Ward 8 Remodel	1,985,000
DAS Project Management	995,000
IT Equipment	200,000
Additional Fleet Vehicles	75,000
Pharmacy Medication Cabinets and Associated IT	300,000
Psychiatric Safe Furniture	150,000
Total	\$ 5,700,000

Note: Totals may not sum due to rounding.

- In FY 2028, the HHS estimates that expenditures for new full-time equivalent (FTE) positions will total \$2.8 million at the Cherokee MHI and \$3.5 million at the Independence MHI to have staff prepared prior to FY 2029.
- The Cherokee MHI will need an additional 105.0 FTE positions to implement the Bill beginning in FY 2029. **Figure 2** shows the required personnel and their salaries for FY 2029.

Figure 2 — Cherokee MHI Personnel Salaries for FY 2029

Job Classification	Cost Per FTE	FTE Positions	Total
Activities Specialist 1	\$ 91,000	3.0	\$ 273,000
Administrative Support Assistant 3	72,000	1.0	72,000
Behavioral Health Professional 2	144,000	1.0	144,000
Cook 1	55,000	1.0	55,000
Food Service Worker	53,000	4.0	211,000
IT Specialist 3	109,000	1.0	109,000
IT Support Worker 3	69,000	1.0	69,000
IT Specialist 2	95,000	1.0	95,000
Laundry Worker 1	58,000	2.0	116,000
Licensed Practical Nurse	95,000	11.0	1,046,000
Maintenance Repairer	73,000	4.0	291,000
Nurse Clinician	119,000	1.0	119,000
Nurse Supervisor	131,000	2.0	262,000
Pharmacy Technician	69,000	1.0	69,000
Physician (Psychiatrist)	452,000	1.0	452,000
Physician Assistant/Nurse Practitioner	151,000	3.0	454,000
Registered Nurse	114,000	22.0	2,502,000
Resident Treatment Technician	79,000	4.0	317,000
Resident Treatment Worker	69,000	36.0	2,485,000
Social Worker 3	96,000	5.0	478,000
Total		105.0	\$ 9,620,000

Note: Totals may not sum due to rounding.

- There will be ongoing costs at the Cherokee MHI to implement the Bill, which will total \$1.5 million annually beginning in FY 2029. These ongoing costs include payroll costs related to overtime, food supplies, pharmacy and other medical services, and miscellaneous supplies.

Independence MHI

- There will be one-time implementation costs at the Independence MHI, including infrastructure modifications, IT equipment, additional fleet vehicles, pharmacy medication cabinets and associated IT equipment for three wards, psychiatric safe furniture for three wards, and office supplies. **Figure 3** shows the one-time costs to the HHS for FY 2028 to implement the Bill.

Figure 3 — Independence MHI One-Time Costs for FY 2028

One-Time Need	Cost
Infrastructure Modifications	
Cromwell Children’s Unit and School	\$ 7,995,000
Reynolds Building (Wards B and C)	500,000
Witte Building (Ward 22)	50,000
DAS Project Management	138,000
IT Equipment	700,000
Additional Fleet Vehicles	75,000
Pharmacy Medication Cabinets and Associated IT	300,000
Psychiatric Safe Furniture	180,000
Office Furniture	150,000
Total	\$ 10,087,000

Note: Totals may not sum due to rounding.

- The Independence MHI will need an additional 132.0 FTE positions to implement the Bill beginning in FY 2029. **Figure 4** shows the required personnel and their salaries for FY 2029.

Figure 4 — Independence MHI Personnel Salaries for FY 2029

Job Classification	Cost Per FTE	FTE Positions	Total
Accounting Clerk 2	\$ 63,000	1.0	\$ 63,000
Activities Specialist 1	91,000	6.0	545,000
Administrative Support Assistant 1	58,000	1.0	58,000
Administrative Support Assistant 2	63,000	1.0	63,000
Behavioral Health Professional 2	144,000	3.0	433,000
Custodial Worker	53,000	6.0	316,000
Driver	60,000	2.0	120,000
Education Aide	66,000	2.0	132,000
Educator	101,000	6.0	607,000
Food Production Supervisor	83,000	1.0	83,000
Food Service Worker	53,000	2.0	105,000
IT Specialist 3	109,000	1.0	109,000
IT Support Worker 3	69,000	1.0	69,000
Laundry Worker 1	58,000	2.0	116,000
Licensed Practical Nurse	95,000	10.0	951,000
Maintenance Repairer	73,000	2.0	146,000
Nurse Supervisor	131,000	5.0	656,000
Physician (Psychiatrist)	452,000	1.0	452,000
Physician Assistant/Nurse Practitioner	151,000	4.0	605,000
Purchasing Assistant 1	66,000	1.0	66,000
Registered Nurse	114,000	20.0	2,274,000
Resident Treatment Technician	79,000	8.0	635,000
Resident Treatment Worker	69,000	40.0	2,761,000
Social Worker 3	96,000	5.0	478,000
Treatment Program Administrator	138,000	1.0	138,000
Total		132.0	\$ 11,982,000

Note: Totals may not sum due to rounding.

- There will be ongoing costs at the Independence MHI to implement the Bill, which will total \$1.9 million annually beginning in FY 2029. These ongoing costs include payroll costs related to overtime, food supplies, pharmacy and other medical services, miscellaneous supplies, and professional services.

Fiscal Impact

The total anticipated expenditures for HF 2292 are estimated to be \$22.7 million in FY 2028, of which the State cost is \$22.3 million and the federal cost is \$308,000. For FY 2029, expenditures are estimated to be \$30.1 million, of which the State cost is \$26.9 million and the federal cost is \$3.3 million.

In addition, HF 2292 is expected to increase the Medicare, Medicaid, and other revenue returned to the General Fund under Iowa Code section [218.78](#) by \$9.5 million annually beginning in FY 2029. Medicaid revenue retained by the MHIs under Iowa Code section [218.97](#) is expected to increase by \$2.9 million annually.

Figure 5 shows the breakout of expenditures to implement HF 2292 in FY 2028. **Figure 6** shows the breakout of the total expenditures to implement HF 2292 for FY 2029, as well as the anticipated revenues and total fiscal impact.

Figure 5 — Estimated Costs for FY 2028 for House File 2292

Expenditure	State	Federal	Total
Waiver Technical Assistance Contract	\$ 258,000	\$ 258,000	\$ 515,000
Actuarial Services	50,000	50,000	100,000
Cherokee One-Time Costs	5,700,000	0	5,700,000
Cherokee FTE Positions	2,782,000	0	2,782,000
Independence One-Time Costs	10,087,000	0	10,087,000
Independence FTE Positions	3,471,000	0	3,471,000
Total	\$ 22,347,000	\$ 308,000	\$ 22,655,000

Note: Totals may not sum due to rounding.

Figure 6 — Estimated Costs for FY 2029 for House File 2292

Expenditure	State	Federal	Total
Waiver Technical Assistance Contract	\$ 129,000	\$ 129,000	\$ 258,000
University of Iowa Contract	275,000	275,000	550,000
Medicaid Expenditures	1,458,000	2,854,000	4,312,000
Cherokee Ongoing Costs	1,507,000	0	1,507,000
Cherokee FTE Positions	9,620,000	0	9,620,000
Independence Ongoing Costs	1,900,000	0	1,900,000
Independence FTE Positions	11,982,000	0	11,982,000
Total Expenditures	\$ 26,871,000	\$ 3,258,000	\$ 30,129,000
Medicaid Revenue Retained by MHIs	\$ -2,887,000	\$ 0	\$ -2,887,000
MHI Revenue Returned to the General Fund	-9,500,000	0	-9,500,000
Grand Total	\$ 14,484,000	\$ 3,258,000	\$ 17,742,000

Note: Totals may not sum due to rounding.

Source

Department of Health and Human Services

/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.