



Fiscal Note

Fiscal Services Division



[SF 2422](#) – Public Assistance, Verification and Eligibility (LSB6779SV.2)
Staff Contact: Louie Hoehle (515.281.6561) louie.hoehle@legis.iowa.gov
Fiscal Note Version – As amended by House amendment [S-5206](#)

Description

[Senate File 2422](#) as amended by House amendment [S-5206](#) modifies various public assistance programs under the Department of Health and Human Services (HHS).

The Bill as amended is comprised of seven divisions, five of which have a fiscal impact and two of which do not.

The following divisions of the Bill as amended have no fiscal impact:

- Division II as amended — Supplemental Nutrition Assistance Program — Eligibility
- Division IV as amended — Supplemental Nutrition Assistance Program — Error Rate Report and Waivers

The following divisions of the Bill as amended have a fiscal impact and are described in further detail below:

- Division I as amended — Public Assistance Programs — Eligibility
- Division III as amended — Medicaid and Iowa Health and Wellness Plan — Retroactive Eligibility
- Division V as amended — Medicaid — Employed Persons with Disabilities and Exceptions to Policy Review
- Division VI as amended — Medicaid Reimbursement Rate — Special Population Nursing Facilities
- Division VII as amended — Medicaid — Expenditure Neutrality

Division I — Public Assistance Programs — Eligibility

Description

Division I of the Bill as amended relates to public assistance eligibility and does the following:

- Allows the HHS to require proof of 12 months of continuous residency through documentation for certain public assistance programs, unless prohibited by federal law.
- Requires the HHS to use the Systematic Alien Verification for Entitlements (SAVE) online service maintained by the U.S. Department of Homeland Security (DHS) to verify immigration and citizenship information when determining eligibility for public assistance programs.

Background

The HHS is currently required to access information maintained by the U.S. Citizenship and Immigration Services (USCIS) of the DHS when determining eligibility for public assistance programs.

The [SAVE](#) system is an online service for registered federal, State, territorial, tribal, and local government agencies to verify the immigration and citizenship status of applicants seeking

benefits or licenses, administered by the USCIS of the DHS. A user agency is charged a monthly service charge of \$25 for each month in which the user agency submits at least one SAVE case. As of April 1, 2025, non-federal user agencies are not charged a fee for each case run through SAVE.

Assumptions

- The HHS will require 1.0 new Income Maintenance Worker 2 full-time equivalent (FTE) position to comply with public assistance residency requirements.
- The Income Maintenance Worker 2 FTE position will cost approximately \$84,000 annually for salary and benefits.
- The State will pay 43.18% of costs for the Income Maintenance Worker 2 position, while the federal government will pay 56.82%.
- The HHS will require 2.0 new Compliance Officer 2 FTE positions to ensure SAVE is appropriately applied and to conduct audits.
- Each Compliance Officer 2 FTE position will cost approximately \$125,000 annually.
- The State and the federal government will each pay 50.0% of costs for the Compliance Officer 2 positions.
- Each FTE position will require support costs of \$4,000 in the first year of employment and \$2,000 for subsequent years.
- Support costs will be split between the State and the federal government at the same percentage as the cost of the salary and benefits for each FTE position.

Fiscal Impact

Division I of the Bill as amended is estimated to require 3.0 additional FTE positions and cost approximately \$346,000 in FY 2027 and \$340,000 in FY 2028 and FY 2029. The State cost is estimated to be \$167,000 in FY 2027 and \$164,000 in FY 2028 and FY 2029.

Division III — Medicaid and Iowa Health and Wellness Plan — Retroactive Eligibility

Description

Division III as amended relates to Medicaid retroactive eligibility and does the following:

- Requires the HHS to adopt administrative rules and submit a Medicaid waiver to the Centers for Medicare and Medicaid Services (CMS) to allow for two months of retroactive eligibility for pregnant women, children, and residents of certain nursing facilities who apply for Medicaid.
- Prohibits the HHS from adopting administrative rules or submitting a request for a waiver or State plan amendment to the CMS to provide retroactive eligibility to any other adult applying for Medicaid or the Iowa Health and Wellness Plan (IHAWP).

Background

Federal law currently allows states to provide up to three months of retroactive eligibility for Medicaid. The [One Big Beautiful Bill Act \(OBBBA\)](#) reduces the retroactive eligibility period from three months to two months for traditional Medicaid and from three months to one month for Medicaid expansion, which, in Iowa, is IHAWP. The OBBBA changes are scheduled to take effect January 1, 2027.

Retroactive eligibility in Iowa is currently available to pregnant women, infants, and residents of certain nursing facilities. Traditional Medicaid members may receive up to three months of retroactive eligibility. Iowa does not provide retroactive eligibility to IHAWP members.

Assumptions

- The State will receive federal approval for the retroactive coverage changes.
- The retroactive coverage changes will become effective January 1, 2027, and will apply to half of FY 2027 and all of FY 2028 and FY 2029.
- Approximately 3,100 individuals may lose one month of retroactive coverage annually.
- The average annual cost per member for retroactive coverage is approximately \$596.
- The reduced costs will be applied 36.67% to State costs and 63.33% to federal costs.
- The HHS will require one-time information technology (IT) costs of \$225,000 for the HHS's eligibility system to implement the retroactive coverage changes.
- The Department of Management Division of IT (DOM DoIT) will require one-time IT costs of \$63,000.
- The State will pay 25.34% of IT costs, while the federal government will pay 74.66%.

Fiscal Impact

Division III of the Bill as amended may reduce net costs by \$628,000 in FY 2027, of which \$265,000 are State costs and \$364,000 are federal costs. The total estimated reduction for FY 2028 and FY 2029 is \$1.8 million, of which \$672,000 are State costs and \$1.2 million are federal costs.

Division V — Medicaid — Employed Persons with Disabilities and Exceptions to Policy Review

Description

Division V of the Bill as amended relates to various Medicaid programs and activities and does the following:

- Increases the federal poverty level (FPL) limit for the Medicaid for Employed People with Disabilities (MEPD) program from 250.0% to 300.0%.
- Requires the HHS to allow for electronic payment of MEPD premiums through a page maintained on the HHS website.
- Requires the Director of the HHS to submit a report to the General Assembly within 30 days of the release of the official Medicaid payment error rate by the CMS.
- Requires the Director to submit an annual report to the General Assembly by October 1 related to certain petitions for a waiver to administrative rules adopted by the HHS to administer Medicaid during the immediately preceding fiscal year.
- Requires the HHS to conduct a review of Medicaid exceptions to policy granted between January 1, 2020, and January 1, 2026, and submit a report of the findings by December 15, 2026.

The MEPD changes in Division V of the Bill as amended take effect upon receipt of federal approval from the CMS.

Background

The [MEPD program](#) is a Medicaid coverage group that allows persons with disabilities to work and continue to have access to medical assistance. Currently, to be eligible for MEPD, members must earn a net family income of less than 250.0% of the FPL. Members must also have resources of less than \$12,000 for an individual and \$24,000 for a married couple, with resources held in a retirement account, a medical savings account, or an assistive technology account being disregarded. Enrollees must pay a monthly premium for coverage if their income is above 150.0% of the FPL. The monthly premium amount for an enrollee at 250.0% of the FPL is \$113. Medicare premiums and prescription services are also covered by MEPD.

The HHS contracts with a vendor to operate and maintain Iowa's Medicaid Management Information System (MMIS). The Iowa MMIS supports Medicaid processes, including claims operations, data collection, federal and State reporting, and mailing.

The [Payment Integrity Information Act \(PIIA\) of 2019](#) requires the heads of federal agencies to annually review programs they administer and identify those that may be susceptible to significant improper payments. The [Payment Error Rate Measurement \(PERM\)](#) program measures improper payments in Medicaid and the Children's Health Insurance Program (CHIP) and produces improper payment rates for each program. The improper payment rates are based on reviews of the Fee-For-Service (FFS), managed care, and eligibility components of Medicaid and CHIP in the year under review. The improper payment rate is a measurement of payments made that did not meet statutory, regulatory, or administrative requirements. The 2024 (Cycle 3) PERM audit [report](#) provides that Iowa's overall error rate for Medicaid was 1.9%.

[Section 1115 waivers](#) allow states to temporarily modify their Medicaid programs and evaluate specific policy approaches.

Assumptions

MEPD

- The State will receive federal approval for the MEPD changes in Division V of the Bill as amended.
- Based on current MEPD denials for individuals who are over the income and resource limits, 457 new members will become eligible in the first year.
- Newly eligible members will begin accessing MEPD in January 2028 to allow time for federal approval and IT programming.
- 5.0% of newly eligible members may lose coverage after year one.
- 229 new members will enroll in MEPD in the second year.
- The annual cost for MEPD will be \$8,608 per member.
- The State will pay 36.67% of MEPD costs, while the federal government will pay 63.33%.
- Newly eligible members will pay \$130 per month in MEPD premiums.
- The State will collect 36.67% of moneys, while the federal government will collect 63.33% of MEPD premiums.
- The annual cost for Medicare Part B premium payments will be \$2,435 per member in FY 2028 and \$2,220 per member in FY 2029.
- The State will pay 36.67% of costs for Medicare Part B premium payments, while the federal government will pay 63.33%.
- The annual cost for Medicare Part D clawback payments will be \$2,367 per member in FY 2028 and \$2,293 in FY 2029, of which the State will pay the full amount.
- The State will pay Medicare costs for 96.0% of newly eligible members.

IT Assumptions

- The HHS will require one-time IT programming updates for the HHS's eligibility system to comply with the MEPD changes in Division V as amended.
- The State will pay 25.34% of costs for the eligibility system, while the federal government will pay 74.66%.
- The online premium payment system will require implementation costs.
- The State and the federal government will each pay 50.0% of costs for the online premium payment system.

- The DOM DoIT will require one-time IT costs.
- The State will pay 25.0% of the DOM DoIT IT costs, while the federal government will pay 75.0%.
- The HHS will require an update to the MMIS contract.
- The State will pay 25.0% of costs for the MMIS contract, while the federal government will pay 75.0%.

FTE Funding Assumptions

- Beginning in FY 2029, the HHS will require 1.0 Income Maintenance Worker 2 FTE position at an annual cost of \$84,000 for salary and benefits.
- The State will pay 43.18% of costs for the Income Maintenance Worker 2 position, while the federal government will pay 56.82%.
- The FTE position will require support costs of \$4,000 in the first year of employment and \$2,000 for subsequent years.
- Support costs will be split between the State and the federal government at the same percentage as the salary and benefits for the FTE position.

Fiscal Impact

The total estimated cost for Division V as amended in FY 2027 is approximately \$1.0 million, of which the State cost is \$375,000 and the federal cost is \$661,000. The total estimated cost for FY 2028 is \$2.7 million, of which the State cost is \$1.3 million and the federal cost is \$1.4 million. The total estimated cost for FY 2029 is \$7.7 million and 1.0 additional FTE position, of which the State cost is \$3.7 million and the federal cost is \$3.9 million. **Figure 1** shows the breakout of costs in FY 2027 to implement Division V as amended. **Figure 2** shows the breakout of costs in FY 2028. **Figure 3** shows annual, ongoing costs for FY 2029. **Figures 2 and 3** include MEPD premiums collected, offsetting costs.

Figure 1 — Division V Estimated Costs for FY 2027

Category	State	Federal	Total
Eligibility System	\$ 127,000	\$ 373,000	\$ 500,000
Premium Payment System	229,000	229,000	457,000
DOM DoIT IT	2,000	6,000	8,000
MMIS Contract	18,000	53,000	70,000
Total	\$ 375,000	\$ 661,000	\$ 1,036,000

Totals may not sum due to rounding.

Figure 2 — Division V Estimated Costs for FY 2028

Category	State	Federal	Total
Premium Payment System	\$ 10,000	\$ 10,000	\$ 20,000
MEPD	721,000	1,246,000	1,967,000
Medicare Part B Premiums	196,000	338,000	534,000
Medicare Part D Clawback	519,000	0	519,000
MEPD Premiums Collected	-131,000	-226,000	-356,000
Total	\$ 1,315,000	\$ 1,368,000	\$ 2,684,000

Totals may not sum due to rounding.

Figure 3 — Division V Estimated Costs for FY 2029

Category	State	Federal	Total
Premium Payment System	\$ 10,000	\$ 10,000	\$ 20,000
MEPD	2,093,000	3,615,000	5,708,000
Medicare Part B Premiums	518,000	895,000	1,413,000
Medicare Part D Clawback	1,460,000	0	1,460,000
MEPD Premiums Collected	-379,000	-655,000	-1,035,000
MEPD FTE Position	36,000	48,000	84,000
Support Costs	2,000	2,000	4,000
Total	\$ 3,740,000	\$ 3,915,000	\$ 7,655,000

Totals may not sum due to rounding.

Division VI — Medicaid Reimbursement Rate — Special Population Nursing Facilities

Description

Division VI of the Bill as amended requires the HHS to set the Medicaid reimbursement rate for certain special population nursing facilities (SPNFs) at the facility’s average allowable per diem cost adjusted in compliance with applicable federal laws and regulations, including upper payment limits. Division VI as amended provides that the reimbursement requirements established in the Bill as amended also apply to new beds and services.

Background

The calculation for the per diem limits on skilled nursing facilities (SNFs) and SPNFs is based on the median amounts for direct care and nondirect care costs. The current per diem limit is \$632.53. However, there are exceptions to the limit, allowing facilities to receive various other reimbursements. Some of these exceptions may expire at the close of FY 2026.

There are currently two entities that qualify as an SPNF as defined by the Bill as amended, including [On With Life \(OWL\)](#) and [ChildServe](#).

Assumptions

- The per diem limit in FY 2027 will be \$818.78 for OWL and \$809.45 for ChildServe.
- Current per diem rates will stay in effect if the Bill as amended is not enacted.
- The per diem limit will increase by approximately 3.0% annually.
- The estimated Medicaid days for OWL are 13,526 annually and for ChildServe are 2,136 annually.
- The number of SPNFs in the State will remain the same.
- The State will pay 36.83% of costs for the increased per diems, while the federal government will pay 63.17%.

Fiscal Impact

Division VI of the Bill as amended is estimated to cost approximately \$905,000 in FY 2027, of which the State cost is \$333,000 and the federal cost is \$572,000. The total estimated costs for FY 2028 are approximately \$1.3 million, of which the State cost is \$473,000 and the federal cost is \$817,000. The total estimated costs for FY 2029 are approximately \$1.7 million, of which the State cost is \$618,000 and the federal cost is \$1.1 million.

Division VII — Medicaid — Expenditure Neutrality

Description

Division VII of the Bill as amended relates to Medicaid waivers and state plan amendments (SPAs) and does the following:

- Prohibits the HHS from implementing a change to a Medicaid waiver or SPA approved by the CMS if the change is not expenditure-neutral unless expressly approved by the General Assembly through legislation prior to the implementation of the change.
- Provides that the cost neutrality requirements do not apply when the HHS implements a federally approved change to, or submits a new request for, a Medicaid waiver or SPA that meets any of the following requirements:
 - The change or new request was submitted for federal approval prior to July 1, 2026, regardless of whether federal approval has been received by the HHS by July 1, 2026.
 - The change or new request has been approved by the General Assembly through legislation or is necessary to administer legislation enacted prior to implementation.
 - The change or new request is required by federal law or regulation or is necessary to comply with federal law or regulation.
 - The change or new request is necessary to comply with a settlement agreement, consent decree, or other resolution of a State violation of Medicaid. A change or new request initiated in this manner is required to be reported to the General Assembly, with an estimate of the fiscal impact, within 30 days of the date of the settlement agreement, consent decree, or other resolution of a State violation of Medicaid.
 - The change or new request involves the development or implementation of actuarially sound capitation rates consistent with [42 C.F.R. §438.4](#).
- Allows the HHS to adopt administrative rules to administer Division VII as amended.

Background

[Section 1115 waivers](#) allow states to temporarily modify their Medicaid programs and evaluate specific policy approaches.

[State plan amendments](#) are the process in which states can make permanent changes to their Medicaid programs.

Assumptions

- The Medicaid waiver cost neutrality analysis will require 6.0 new FTE positions, which will cost the following annual amounts for salary and benefits:
 - 1.0 Compliance Officer 2 FTE position at \$125,000.
 - 2.0 Management Analyst 3 FTE positions at \$114,000 each.
 - 2.0 Budget Analyst 3 FTE positions at \$114,000 each.
 - 1.0 Budget Analyst 4 FTE position at \$125,000.
- Each FTE position will require support costs of \$4,000 in the first year of employment and \$2,000 for subsequent years.
- The State and the federal government will each pay 50.0% of costs for the cost neutrality FTE positions.
- The HHS will require increased annual actuarial services for the Medicaid waiver cost neutrality analysis.
- The State and the federal government will each pay 50.0% of costs for actuarial services.

Fiscal Impact

Division VII of the Bill as amended is estimated to require 6.0 additional FTE positions and cost approximately \$1.2 million in FY 2027, FY 2028, and FY 2029. The State cost is estimated to be approximately \$615,000 in FY 2027 and \$608,000 in FY 2028 and FY 2029.

Fiscal Impact Summary

In addition to the costs specified for each division of the Bill as amended, there are estimated costs associated with the multiple divisions of the Bill as amended in FY 2027, including the following:

- Waiver technical assistance costs.
- Additional IT costs.
- Implementation costs for the eligibility system.

The total anticipated costs for SF 2422 are estimated to be \$5.2 million and 9.0 FTE positions in FY 2027, of which the State cost is \$1.8 million and the federal cost is \$3.4 million. For FY 2028, costs are estimated to be \$3.7 million and 9.0 FTE positions, of which the State cost is \$1.9 million and the federal cost is \$1.8 million. For FY 2029, costs are estimated to be \$9.1 million and 10.0 FTE positions, of which the State cost is \$4.5 million and the federal cost is \$4.6 million. **Figure 4** shows the breakout of costs in FY 2027. **Figure 5** shows the breakout of costs in FY 2028. **Figure 6** shows the breakout of annual, ongoing costs in FY 2029. The figures include cost reductions from retroactive eligibility changes and MEPD premiums collected, offsetting costs.

Figure 4 — Senate File 2422 Estimated Costs for FY 2027

Division	Category	State	Federal	Total
I	SAVE FTE Positions	\$ 125,000	\$ 125,000	\$ 250,000
I	Continuous Residency FTE Position	36,000	48,000	84,000
I	FTE Position Support Costs	6,000	6,000	12,000
III	Retroactive Coverage Changes	-338,000	-579,000	-916,000
III	Eligibility System	57,000	168,000	225,000
III	DOM DoIT IT	16,000	47,000	63,000
V	Eligibility System	127,000	373,000	500,000
V	Premium Payment System	229,000	229,000	457,000
V	DOM DoIT IT	2,000	6,000	8,000
V	MMIS Contract	18,000	53,000	70,000
VI	SPNF Reimbursement	333,000	572,000	905,000
VII	Cost Neutrality FTE Positions	353,000	353,000	705,000
VII	FTE Position Support Costs	12,000	12,000	24,000
VII	Cost Neutrality Actuarial Services	250,000	250,000	500,000
Full Bill	Waiver Tech. Assistance	50,000	50,000	100,000
Full Bill	IT Costs	239,000	781,000	1,020,000
Full Bill	Eligibility System	304,000	896,000	1,200,000
Total		\$ 1,818,000	\$ 3,389,000	\$ 5,207,000

Totals may not sum due to rounding.

Figure 5 — Senate File 2422 Estimated Costs for FY 2028

Division	Category	State	Federal	Total
I	SAVE FTE Positions	\$ 125,000	\$ 125,000	\$ 250,000
I	Continuous Residency FTE Position	36,000	48,000	84,000
I	FTE Position Support Costs	3,000	3,000	5,000
III	Retroactive Coverage Changes	-672,000	-1,161,000	-1,833,000
V	Premium Payment System	10,000	10,000	20,000
V	MEPD	721,000	1,246,000	1,967,000
V	Medicare Part B Premiums	196,000	338,000	534,000
V	Medicare Part D Clawback	519,000	0	519,000
V	MEPD Premiums Collected	-131,000	-226,000	-356,000
VI	SPNF Reimbursement	473,000	817,000	1,290,000
VII	Cost Neutrality FTE Positions	353,000	353,000	705,000
VII	FTE Position Support Costs	5,000	5,000	11,000
VII	Cost Neutrality Actuarial Services	250,000	250,000	500,000
Total		\$ 1,888,000	\$ 1,808,000	\$ 3,696,000

Totals may not sum due to rounding.

Figure 6 — Senate File 2422 Estimated Costs for FY 2029

Division	Category	State	Federal	Total
I	SAVE FTE Positions	\$ 125,000	\$ 125,000	\$ 250,000
I	Continuous Residency FTE Position	36,000	48,000	84,000
I	FTE Position Support Costs	3,000	3,000	5,000
III	Retroactive Coverage Changes	-672,000	-1,161,000	-1,833,000
V	Premium Payment System	10,000	10,000	20,000
V	MEPD	2,093,000	3,615,000	5,708,000
V	Medicare Part B Premiums	518,000	895,000	1,413,000
V	Medicare Part D Clawback	1,460,000	0	1,460,000
V	MEPD Premiums Collected	-379,000	-655,000	-1,035,000
V	MEPD FTE Position	36,000	48,000	84,000
V	FTE Position Support Costs	2,000	2,000	4,000
VI	SPNF Reimbursement	618,000	1,068,000	1,686,000
VII	Cost Neutrality FTE Positions	353,000	353,000	705,000
VII	FTE Position Support Costs	5,000	5,000	11,000
VII	Cost Neutrality Actuarial Services	250,000	250,000	500,000
Total		\$ 4,458,000	\$ 4,605,000	\$ 9,063,000

Totals may not sum due to rounding.

Sources

Department of Health and Human Services

Department of Management Division of Information Technology

Legislative Services Agency analysis

/s/ Jennifer Acton

April 23, 2026

Doc ID 1604567

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.
