



Fiscal Note

Fiscal Services Division



[SF 2422](#) – Public Assistance, Verification and Eligibility (LSB6779SV.3)
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Fiscal Note Version – Final Action

Description

[Senate File 2422](#) modifies various public assistance programs under the Department of Health and Human Services (HHS).

The Bill is comprised of eight divisions, four of which have a fiscal impact and four of which do not.

The following divisions of the Bill have no fiscal impact:

- Division II — Supplemental Nutrition Assistance Program and Medicaid — Eligibility and Error Rate Reporting
- Division III — Supplemental Nutrition Assistance Program — Waivers
- Division VI — Medicaid — Hospital Directed Payment Program
- Division VIII — Effective Date

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

- Division I — Public Assistance Programs — Verification
- Division IV — Medicaid and Iowa Health and Wellness Plan — Retroactive Eligibility
- Division V — Medicaid — Medicaid Managed Care Organization Health Care Tax Fund; Expenditure Neutrality; and Exceptions to Policy
- Division VII — Program Administration — Electronic Benefits Funds Payment

The Bill takes effect upon enactment.

Division I — Public Assistance Programs — Verification

Description

Division I of the Bill 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 and is 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, nonfederal user agencies are not charged a fee for each case run through SAVE.

Assumptions

- Verifying the citizenship status of public assistance program applicants using the SAVE system will require approximately 44,000 hours of additional work annually.
- The HHS may require up to 34.0 full-time equivalent (FTE) positions to verify the citizenship status of public assistance program applicants through the SAVE system, which will cost the following annual amounts for salary and benefits:
 - 28.0 Income Maintenance Worker 2 FTE positions at \$84,000 each.
 - 2.0 Income Maintenance Supervisor FTE positions at \$109,000 each.
 - 4.0 Administrative Support Assistance 1 FTE positions at \$58,000 each.
- Each FTE position will require support costs of \$4,000 in the first year of employment and \$2,000 for subsequent years.
- The State will pay 43.18% of costs for each FTE position, while the federal government will pay 56.82%.
- The HHS may require one-time information technology (IT) costs of \$3.0 million for the HHS's eligibility system to verify citizenship through the SAVE system.
- The State will pay 25.34% of IT costs, while the federal government will pay 74.66%.

Fiscal Impact

Division I of the Bill is estimated to require 34.0 additional FTE positions and cost approximately \$5.9 million in FY 2027 and \$2.9 million in FY 2028. The State cost is estimated to be \$2.0 million in FY 2027 and \$1.3 million in FY 2028.

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

Description

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

Division V — Medicaid — Medicaid Managed Care Organization Health Care Tax Fund; Expenditure Neutrality; and Exceptions to Policy

Description

Division V of the Bill relates to Medicaid waivers, state plan amendments (SPAs) and exceptions to policy and does the following:

- Prohibits the HHS from implementing a change to a Medicaid waiver or SPA approved by the CMS, or submitting a new request, if the change or new request is not expenditure-neutral or if the change or new request expands coverage under Medicaid unless expressly approved by the General Assembly through legislation prior to the implementation of the change or submission of the new request.
- 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 January 1, 2026, regardless of whether federal approval has been received by the HHS by January 1, 2026.
 - 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 expenditure neutrality provisions in Division V.
- Requires the HHS to make information on exceptions to policy publicly available.

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

Division VII — Program Administration — Electronic Benefits Funds Payment

Description

Division VII requires the HHS, in coordination with the DOM DoIT, to seek the capacity to allow premium payments by program participants to be made by electronic benefits transfer for all programs administered by the HHS that require premium payments. Requires the HHS to allow premium payments made by participants of the Medicaid for Employed People with Disabilities (MEPD) program to be made by electronic benefits transfer.

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 federal poverty level (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.

Assumptions

- 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%.

Fiscal Impact

Division VII of the Bill is estimated to cost \$466,000 in FY 2027, of which \$231,000 is for State costs and \$364,000 is for federal costs. The total estimated reduction for FY 2028 is \$20,000, of which \$10,000 is for State costs and \$10,000 is for federal costs.

Fiscal Impact Summary

In addition to the costs specified for each division of the Bill, there are estimated costs associated with multiple divisions of the Bill 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 in FY 2027 are estimated to be \$9.3 million and 40.0 FTE positions, of which the State cost is \$3.2 million and the federal cost is \$6.1 million. For FY 2028, costs are estimated to be \$2.3 million and 40.0 FTE positions, of which the State cost is \$1.2 million and the federal cost is \$1.0 million. **Figure 1** shows the breakout of costs in FY 2027. **Figure 2** shows the breakout of costs in FY 2028. The figures include cost reductions from retroactive eligibility changes and MEPD premiums collected, offsetting costs.

Figure 1 — Senate File 2422 Estimated Costs for FY 2027

Division	Category	State	Federal	Total
I	SAVE FTE Positions	\$ 1,209,000	\$ 1,591,000	\$ 2,801,000
I	FTE Position Support Costs	59,000	78,000	137,000
I	Eligibility System	760,000	2,240,000	3,000,000
IV	Retroactive Coverage Changes	-338,000	-579,000	-916,000
IV	Eligibility System	57,000	168,000	225,000
IV	DOM DoIT IT	16,000	47,000	63,000
V	Cost Neutrality FTE Positions	353,000	353,000	705,000
V	FTE Position Support Costs	12,000	12,000	24,000
V	Cost Neutrality Actuarial Services	250,000	250,000	500,000
VII	Premium Payment System	229,000	229,000	457,000
VII	DOM DoIT IT	2,000	6,000	8,000
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	\$ 3,202,000	\$ 6,121,000	\$ 9,324,000

Totals may not sum due to rounding.

Figure 2 — Senate File 2422 Estimated Costs for FY 2028

Division	Category	State	Federal	Total
I	SAVE FTE Positions	\$ 1,209,000	\$ 1,591,000	\$ 2,801,000
I	FTE Position Support Costs	26,000	35,000	61,000
IV	Retroactive Coverage Changes	-672,000	-1,161,000	-1,833,000
V	Cost Neutrality FTE Positions	353,000	353,000	705,000
V	FTE Position Support Costs	5,000	5,000	11,000
V	Cost Neutrality Actuarial Services	250,000	250,000	500,000
VII	Premium Payment System	10,000	10,000	20,000
	Total	\$ 1,181,000	\$ 1,083,000	\$ 2,265,000

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

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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.
