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**SF 2351** – Mental Health (LSB5837SV)

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Fiscal Note Version – New

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**Description**

**Senate File 2351** implements numerous changes relating to mental health and disability services, including:

- Amending Iowa Code chapter [135G](#) related to subacute health care facilities to remove the conditions for issuing a license to a facility and the current 75-bed cap, and requiring the Department of Inspections and Appeals (DIA) to issue a license if the facilities and staff are adequate to provide the care and services required of a subacute care facility.
- Amending Iowa Code chapter [229](#) to expand the definition of seriously mentally impaired to include a person who has a mental illness, and because of that illness lacks sufficient judgment to make responsible decisions with respect to the person's hospitalization or treatment, and has a history of a lack of compliance with treatment, or resulted in one or more acts of serious physical injury to the person's self or others or an attempt to seriously physically injure the person's self or others.
- Amending Iowa Code chapter [229](#) to allow an individual in protective custody to be treated with oral antipsychotic medication. Current law only allows for injectable antipsychotic medication.
- Requiring each Mental Health and Disability Services (MHDS) region to submit a quarterly report to the Department of Human Services (DHS) providing information on the accessibility of intensive mental health services and the progress the region has made in meeting the region's milestones for compliance. If a region fails to meet the milestones in the region's plan for compliance regarding access requirements, the region is required to submit a plan of correction to the DHS to address deficiencies in the region's plan for compliance. The DHS is required to combine and analyze the quarterly reports and make the results public within 30 days of receipt of all reports.
- Amending Iowa Code section [331.397](#) to require the following service domains to the extent that federal matching funds are available under the Iowa Health and Wellness Plan (IHAWP):
  - Six access centers that are located in crisis residential and subacute residential settings with 16 beds or fewer that provide immediate, short-term assessments for persons with serious mental illness or substance use disorders who do not need inpatient psychiatric hospital treatment, but who do need significant amounts of supports and services not available in the persons' homes or communities.
  - Assertive community treatment services.
  - Comprehensive facility and community-based crisis services, including mobile response, 23-hour crisis observation and holding, community-based crisis stabilization services, crisis stabilization residential services, and subacute services provided in facility and community-based settings.
  - Intensive residential service homes for persons with severe and persistent mental illness in scattered-site community-based residential settings that provide intensive services and that operate 24 hours per day.

- Specifying that if a county switches regions, the county's historic budget-capped levy amount is used to calculate the new regional levy, similarly to the process of calculating the regional levies when the regions were created.
- Requiring each MHDS region to include in its annual report a plan that identifies milestones for access centers, assertive community treatment, comprehensive crisis services and intensive residential services homes, no later than July 1, 2021. The plan shall, at a minimum, include information relating to processes, implementation time frames, plans for collaboration with other regions and the Medicaid program, and the region's associated budget plan.
- Amending Iowa Code section [331.391](#)(4) to eliminate the current requirements related to cash flow and establishing a limitation on the cash flow amount of a region equal to 30.0% of the gross expenditures. Any residual funding remaining in excess of the 30.0% limit is to be used to expand the region's core services and then make additional core services available. Currently, counties are required to spend down fund balances in excess of 25.0%. Beginning in FY 2018, counties have three years to spend down fund balances on services required in their regional management plans. Beginning in FY 2022, counties are limited to a fund balance reserved for cash flow of 20.0% of gross expenditures if the region has a population equal to or greater than 100,000, or 25.0% of gross expenditures if the region has a population of fewer than 100,000. Counties will be required to reduce their levies by any dollar amount in excess of the cash flow amount.

### **Background**

[Senate File 504](#) (FY 2018 Mental Health Property Tax Levy Act) directs the DHS to convene a stakeholder workgroup to make recommendations relating to the delivery of, access to, and coordination and continuity of mental health, disability, and substance use disorder services and supports for individuals in particular those individuals with complex mental health, disability, and substance use disorder needs. In addition, the Act required the regional administrators for the MHDS regions to convene a stakeholder workgroup to create collaborative policies and processes relating to the delivery of, access to, and continuity of services for individuals with complex mental health, disability, and substance use disorder needs. [House File 2456](#) is a product of the report by the workgroups. Information from both workgroups and the final report are available here: [dhs.iowa.gov/mhds/community-integration](https://dhs.iowa.gov/mhds/community-integration).

### **Assumptions**

#### **Overall Assumptions**

- The services listed in the Bill are currently reimbursable by Medicaid and are services that counties may provide. Defining the services as core services will increase development and utilization of these services. The fiscal impact estimated in this **Fiscal Note** assumes that the services will be defined as core services.
- The regular Medicaid Federal Medical Assistance Percentage (FMAP) rate is 40.07% State and 59.93% federal. It is assumed that because of the complex needs of the individuals requiring the services listed below, individuals will be on Medicaid instead of the IHAWP. If there are individuals covered by IHAWP who receive the services below, the enhanced match rate of 93.50% federal and 6.50% State will apply.
- MHDS regions are responsible for the startup costs of the services listed below and for the costs not reimbursed by Medicaid.
- MHDS regions had an ending fund balance of \$145.4 million in FY 2017 and, based on budgeted expenditures, are projected to have an ending fund balance of \$109.3 million at the end of FY 2018.
- Although the regions as a whole have large fund balances, the funds are not evenly distributed among all regions. In addition, long-term funding may need to be addressed in

regions with levy caps below the statewide maximum of \$47.28 per capita. **Attachment 1** shows a detailed analysis of county revenues, expenditures, and estimated fund balances provided by the DHS.

- The DIA will complete six subacute surveys annually (30 hours each) and 12 subacute investigations annually (30 hours each). The average hourly wage for a surveyor is \$58 per hour, with a 2.0% wage increase in the surveyor's second year of employment. Vehicle expenses are \$16,000 for the first year. Other support expenses such as travel, supplies, and equipment are estimated to be \$7,225 per year.

#### **Access Centers**

- The average daily bed rate will be \$392.04, using a crisis and subacute services blend.
- There will be 12 beds in June 2019, and the number of beds will increase to 48 by the end of FY 2020.
- Medicaid will cover an 80.0% occupancy rate. The remaining costs will be funded by the regions.

#### **Assertive Community Treatment (ACT)**

- There will be four new ACT teams operational in FY 2019 and 10 teams operational by the end of FY 2020.
- Average new Medicaid recipients are estimated at 52 in FY 2019 and 409 in FY 2020.
- The estimated monthly Medicaid rate for ACT is \$1,109.56. This rate is anticipated to be offset by Medicaid savings of \$312.92, resulting in a net rate of \$796.64 due to moving individuals to a lower level of care.

#### **New Crisis Services**

- The Medicaid cost of crisis services will be offset by reduced utilization of other high-cost Medicaid services.
- There will be an estimated need for \$1.8 million for non-Medicaid crisis-related services to fill in the remaining gaps in regions that do not have the services. These expenditures will be funded by the regions.

#### **Subacute Services**

- The average daily bed rate will be \$400.
- There will be five beds in October 2018, increasing to 10 beds by the end of FY 2019 and 25 beds by the end of FY 2020.
- Medicaid will cover an 80.0% occupancy rate. The remaining costs will be funded by the regions.

#### **Intensive Residential Home Services**

- Services will begin January 2019.
- There will be 30 individuals served by the end of FY 2019, and 90 by the end of FY 2020.
- The estimated Medicaid daily rate is \$340, which is \$216.60 more than the average rate for these services. The fiscal impact is based on the difference between these two rates.

#### **Fiscal Impact**

The increased utilization of services due to [SF 2351](#) is estimated to increase General Fund expenditures by \$876,000 in FY 2019 and \$6.0 million in FY 2020. The startup and ongoing expenditures are estimated to cost the MHDS regions \$4.3 million in FY 2019 and \$10.0 million in FY 2020. A detailed breakdown of the estimated cost of each service is listed in **Table 1** below.

**Table 1 — Fiscal Impact of SF 2351**

	FY 2019			FY 2020		
	Total Federal, State, & Region	General Fund	Region Share	Total Federal, State, & Region	General Fund	Region Share
<b>Access Centers</b>						
Net Medicaid	\$ 112,908	\$ 45,242	\$ 0	\$ 3,089,902	\$ 1,238,124	\$ 0
Net Non-Medicaid	28,227	0	28,227	1,018,776	0	1,018,776
<b>Total</b>	<b>\$ 141,134</b>	<b>\$ 45,242</b>	<b>\$ 28,227</b>	<b>\$ 4,108,678</b>	<b>\$ 1,238,124</b>	<b>\$ 1,018,776</b>
<b>Assertive Community Treatment</b>						
Net Medicaid	\$ 494,315	\$ 198,072	\$ 0	\$ 3,907,120	\$ 1,565,583	\$ 0
Net Non-Medicaid	2,195,145	0	2,195,145	5,841,930	0	5,841,930
<b>Total</b>	<b>\$ 2,689,460</b>	<b>\$ 198,072</b>	<b>\$ 2,195,145</b>	<b>\$ 9,749,050</b>	<b>\$ 1,565,583</b>	<b>\$ 5,841,930</b>
<b>New Crisis Services</b>						
Net Medicaid	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Non-Medicaid	1,800,000	0	1,800,000	1,800,000	0	1,800,000
<b>Total</b>	<b>\$ 1,800,000</b>	<b>\$ 0</b>	<b>\$ 1,800,000</b>	<b>\$ 1,800,000</b>	<b>\$ 0</b>	<b>\$ 1,800,000</b>
<b>Subacute Services</b>						
Net Medicaid	\$ 676,800	\$ 271,194	\$ 0	\$ 2,340,800	\$ 937,959	\$ 0
Net Non-Medicaid	222,075	0	222,075	768,075	0	768,075
<b>Total</b>	<b>\$ 898,875</b>	<b>\$ 271,194</b>	<b>\$ 222,075</b>	<b>\$ 3,108,875</b>	<b>\$ 937,959</b>	<b>\$ 768,075</b>
<b>Intensive Residential Home Services</b>						
Net Medicaid	\$ 766,064	\$ 306,962	\$ 0	\$ 5,510,835	\$ 2,208,192	\$ 0
Net Non-Medicaid	79,375	0	79,375	571,000	0	571,000
<b>Total</b>	<b>\$ 845,439</b>	<b>\$ 306,962</b>	<b>\$ 79,375</b>	<b>\$ 6,081,835</b>	<b>\$ 2,208,192</b>	<b>\$ 571,000</b>
<b>All Recommendations</b>						
Net Medicaid	\$ 2,050,087	\$ 821,470	\$ 0	\$ 14,848,658	\$ 5,949,857	\$ 0
Net Non-Medicaid	4,324,822	0	4,324,822	9,999,781	0	9,999,781
DIA Inspection Costs	54,545	54,545	0	39,069	39,069	0
<b>Total</b>	<b>\$ 6,429,454</b>	<b>\$ 876,015</b>	<b>\$ 4,324,822</b>	<b>\$ 24,887,507</b>	<b>\$ 5,988,926</b>	<b>\$ 9,999,781</b>

Note: Totals may not sum due to rounding.

**Sources**

Department of Human Services  
 Department of Inspections and Appeals

/s/ Holly M. Lyons

February 27, 2018

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.

**Attachment 1 - Estimate Of FY 2018 Regional Funding  
2/15/2018**

	A	B	C	D	E	F	G	H	I
					B+C+D		E-F		G-H
MHDS Region	SFY17 Annual Report Ending Fund Balance	SFY18 Projected Beginning Fund Balance	SFY18 Other Budgeted Funds	SFY18 Actual MHDS Levy	SFY18 Projected Funds Available	SFY18 Budgeted Expenditures	SFY18 Projected Ending Fund Balance	25% of SFY18 Budgeted Expenditures	Projected SFY18 Ending Fund Balance Above 25%
Central Iowa Community Services	\$20,375,635	\$20,375,635	\$0	\$7,267,078	\$27,642,713	\$15,740,000	\$11,902,713	\$3,935,000	\$7,967,713
County Rural Offices of Social Services (CROSS)	5,453,375	5,453,375	1,866	2,873,816	8,329,057	3,133,632	5,195,425	783,408	4,412,017
County Social Services (CSS)	12,951,523	12,951,523	200,000	15,141,421	28,292,944	19,670,808	8,622,136	4,917,702	3,704,434
Eastern Iowa MHDS Region	14,046,450	14,046,450	360,342	7,264,823	21,671,615	12,646,325	9,025,290	3,161,581	5,863,709
Heart of Iowa Region	4,260,419	4,260,419	0	2,009,346	6,269,765	2,521,304	3,748,461	630,326	3,118,135
MHDS of the East Central Region	34,090,159	34,090,159	488,885	17,048,705	51,627,749	21,570,368	30,057,381	5,392,592	24,664,789
Northwest Iowa Care Connections	4,571,910	4,571,910	51,916	1,628,397	6,252,223	2,920,015	3,332,208	730,004	2,602,204
Polk County Health Services	6,720,476	6,720,476	6,500,000	14,439,175	27,659,651	21,009,207	6,650,444	5,252,302	1,398,142
Rolling Hills Community Services Region	4,468,333	4,468,333	7,053	2,937,213	7,412,599	3,439,362	3,973,237	859,841	3,113,396
Sioux River MHDS	5,201,831	5,201,831	0	2,863,378	8,065,209	5,955,425	2,109,784	1,488,856	620,928
South Central Behavioral Health Region	6,124,099	6,124,099	0	2,906,205	9,030,304	4,909,326	4,120,978	1,227,332	2,893,647
Southeast Iowa Link (SEIL)	10,662,081	10,662,081	5,400	3,207,206	13,874,687	6,656,865	7,217,822	1,664,216	5,553,606
Southern Hills Regional Mental Health	408,903	408,903	0	995,545	1,404,448	1,084,856	319,592	271,214	48,378
Southwest Iowa MHDS Region	16,083,651	16,083,651	0	4,499,751	20,583,402	7,514,929	13,068,473	1,878,732	11,189,741
<b>TOTAL</b>	<b>\$145,418,844</b>	<b>\$145,418,844</b>	<b>\$7,615,462</b>	<b>\$85,082,059</b>	<b>\$238,116,365</b>	<b>\$128,772,422</b>	<b>\$109,343,943</b>	<b>\$32,193,106</b>	

**SFY16, SFY17 and SFY18 Expenditure Comparison**

MHDS Region	SFY16 Actual Expenditures	SFY17 Actual Expenditures	SFY18 Budgeted Expenditures
Central Iowa Community Services	\$7,807,631	\$8,991,274	\$15,740,000
County Rural Offices of Social Services (CROSS)	2,052,608	2,824,787	3,133,632
County Social Services (CSS)	18,152,964	19,852,837	19,670,808
Eastern Iowa MHDS Region	9,652,013	8,385,146	12,646,325
Heart of Iowa Region	2,621,301	2,739,959	2,521,304
MHDS of the East Central Region	17,978,277	17,375,112	21,570,368
Northwest Iowa Care Connections	1,832,205	1,827,192	2,920,015
Polk County Health Services	21,200,807	20,773,779	21,009,207
Rolling Hills Community Services Region	2,548,680	3,099,990	3,439,362
Sioux River MHDS	4,761,534	6,499,484	5,955,425
South Central Behavioral Health Region	2,662,458	3,206,013	4,909,326
Southeast Iowa Link (SEIL)	5,205,806	5,373,570	6,656,865
Southern Hills Regional Mental Health	1,187,258	1,139,035	1,084,856
Southwest Iowa MHDS Region	6,285,447	5,866,784	7,514,929
<b>TOTAL</b>	<b>\$103,948,989</b>	<b>\$107,954,963</b>	<b>\$128,772,422</b>

**Notes:**

SFY17 Actual Expenditures are from Region's FY17 Annual Reports less Case Management costs and Medicaid Revenue.

SFY17 Fund balances are from the Regional Annual Reports for SFY17 less Case Management costs and Medicaid Revenue.

SFY18 Other Budgeted Funding is from the Regions SFY18 Annual Service and Budget Plans.

SFY18 Budgeted Expenditures are from Region's FY18 Annual Service and Budget Plans less Case Management costs and Medicaid Revenue.

Prepared by the Department of Human Services