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[HF 2456](#) – Mental Health, Complex Service Needs Workgroup Report (LSB6024HV)  
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Fiscal Note Version – New

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**Description**

[House File 2456](#) implements numerous changes relating to behavioral health, mental health, disability services, and substance abuse, including:

- Amending Iowa Code chapters [125](#) and [229](#), related to involuntary commitment, to require that if the report of a court-designated licensed physician or mental health professional indicates the subject of an application for involuntary commitment or treatment does not have a substance-related disorder or is not seriously mentally impaired, the court is required to terminate the proceeding and dismiss the application on its own motion and without notice. The respondent is also required to be released from detention prior to the commitment hearing.
- Amending Iowa Code chapter [135G](#) related to subacute health care facilities to remove the conditions for issuing a license for a facility and the current 75-bed cap, and requires the Department of Inspections and Appeals (DIA) to issue a license if the facility and staff are adequate to provide the care and services required of a subacute care facility.
- Amending Iowa Code chapter [228](#) to allow mental health professionals to share mental health information with law enforcement professionals.
- Amending Iowa Code chapter [229](#) to allow hearings to be held by video conference at the discretion of the court.
- Amending Iowa Code chapter [229](#) to allow for secure third-party transportation services contracted by a Mental Health and Disability Services (MHDS) region.
- 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):
  - 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, crisis stabilization community-based 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 a day.
- Specifying that if a county switches regions, the county's historic budget-capped amount is used to calculate the new regional levy, similar to the process of calculating the regional levies when the regions were created.

- Directing the Department of Human Services (DHS) to adopt rules related to the new core services no later than October 1, 2018, and providing guidance and timelines for implementing those core services.
- Directing the DHS, in cooperation with the Department of Public Health (DPH) and other affected or interested stakeholders, to review the commitment processes under Iowa Code chapters [125](#) and [229](#) and to report recommendations for improvements in the processes to the Governor and the General Assembly by December 31, 2018.
- Directing the DHS, the DPH, and other affected or interested stakeholders to review the role of tertiary care psychiatric hospitals in the array of mental health services and to report recommendations for providing tertiary psychiatric services to the Governor and the General Assembly by November 30, 2018.

## **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 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. The provisions in [HF 2456](#) relating to subacute beds and the expansion of core services were recommendations from the final report. 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 service needs of the individuals requiring the services listed below, individuals will be on Medicaid instead of the IHAWP. If there are individuals covered by the 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). Surveyor average salary and benefits is \$58.00 per hour with a 2.0% salary increase in the surveyor's second year. 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 rate for a bed at an access center will be \$392.04, using a crisis and subacute service blend.
- There will be 12 beds in June 2019, and that total will increase to 48 beds 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 rate of a subacute bed 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 [HF 2456](#) 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 — Estimated Fiscal Impact of HF 2456**

	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