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Fiscal Note

Fiscal Services Division

SF 2315 – Adult Mental Health and Disability Services System Redesign (LSB 5488SV.1)
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Fiscal Note Version – As passed by the Senate

Description

Senate File 2315 implements recommendations made by the Mental Health and Disability Services Study Committee and **Senate File 525** (FY 2012 Adult Disability Services System Redesign Act) which set out a framework for redesign.

Division I – Specifies core services and service management requirements applicable to a regional service system and addresses responsibilities of the Department of Human Services (DHS) and the Mental Health and Disability Services (MH/DS) Commission relating to core services. Some of the major changes include:

- Requires the DHS to plan, collect, and analyze data as necessary to issue cost estimates for serving additional populations and providing core disability services statewide.
- Requires the DHS to cover core service domains under Medicaid to the greatest extent allowable under federal regulations. This provision is subject to available appropriations.
- Requires the State Mental Health Institutes to address the needs of individuals with co-occurring conditions.
- Requires financial information submitted to the State by a county to segregate expenditures for purchase of service, administration, and enterprise costs.
- Requires counties to begin using a standardized functional assessment to determine services.
- Sets income guidelines for services at 150.0% of the federal poverty level (FPL) with no copay, a copay or sliding fee scale for persons with incomes that exceed 150.0% of the FPL.
- Specifies a set of new core service domains for Mental Health and Intellectual Disabilities not covered under the Medicaid Program and adds a new set of services (core plus) that may be provided when funding becomes available.
- Specifies legislative intent to cover Brain Injury and Developmental Disabilities when funding becomes available.
- Regions are responsible for funding non-Medicaid expenditures, with the State providing for growth in non-Medicaid expenditures.

Division II – Establishes a Mental Health and Disability Services Workforce Development Workgroup to be convened by the DHS. The Workgroup is to address issues connected with assuring there is adequate workforce to provide MH/DS in the State. This Division requires the DHS to establish an Outcomes and Performance Measures Committee for the regional service system. The Committee is to provide recommendations regarding outcomes and performance measures that are consistent across the MH/DS population and review data requirements that could be eliminated or revised due to low relevance to outcomes. The Division also requires the DHS, the Department of Inspections and Appeals, and the Department of Public Health to work together to review and improve regulatory requirements applied to MH/DS administration and providers.

Division III – Amends provisions relating to Community Mental Health Centers and allows Community Mental Health Centers to meet the standards of the Joint Commission on Accreditation of Health Care Organizations or other national standards for evaluation of a psychiatric facility. They are currently required to meet both.

Division IV – Creates a regional structure for the MH/DS system. The regional structure will be based on a 28E agreement between the counties in the region. A 28E agreement is an agreement between two or more political subdivisions that allows the parties to take on an activity jointly. Some of the major decisions that will be included in the agreement are as follows:

- Regional governance structure.
- Regional finances.
- Regional governance agreements.

Division IV also eliminates county of legal settlement and implements county of residence.

Division IV also lays out a timeline for the process of counties joining into regions. The timeline is as follows:

Milestones	Date
Regions begin to form	January 2012
DHS ensures all counties are part of a region	April 1, 2012
All regions are formed and begin to organize	July 1, 2013
Regions meet the formation criteria	December 31, 2013
Regions meet the implemention criteria	June 30, 2015

Division V – Creates a new facility licensure chapter for a subacute level of care for persons with serious and persistent mental illness. The new chapter defines terms of care, licensure requirements, and sets the daily rate for this level of care at the direct care Medicare-certified hospital-based nursing facility patient-day-weighted median. In addition, the DHS is required to conduct a feasibility study and cost analysis of providing subacute care at one or more of the State MHIs or the Veterans Home.

Division VI – Amends the definition of Brain Injury and provides conforming amendments to change references to county of legal settlement to county of residence.

Assumptions

The General Assembly has yet to decide if and when the State will assume the cost of Medicaid Services currently paid for by the Counties as recommended by the report to the Mental Health and Disability Services Study Committee. They have also not determined any funding beyond status quo State funding levels from FY 2012 to FY 2013 for MH/DS services. Funding for the system includes:

- Counties are limited to the current maximum Mental Health Property Tax Levy of $125.8 million for FY 2013, plus any additional growth provided by the State. In FY 2012, counties levied $118.3 million. **Senate File 209** (Tax Changes and Supplemental Appropriations Act) repealed the Mental Health Property Tax Levy effective July 1, 2013, and the General Assembly will determine if all or part of the levy is reinstated or whether to replace those dollars with State funds.

- The State has appropriated $190.9 million for FY 2013 in **HF 649** (FY 2012 Health and Humans Services Appropriations Act) and **SF 2071** (FY 2012 Supplemental Appropriations Act). This includes:
  - $74.7 million in Allowed Growth
  - $88.4 million in Property Tax Relief
  - $14.2 million in Community Services
  - $1.2 million in Palo Property Tax Relief
  - $12.4 million for the Mental Health State Cases Program (status quo funding restored)
- An additional $12.4 million is provided through the Social Services Block Grant.
- County Medicaid expenditures for FY 2013 are projected at $231.0 million and, because Medicaid is an entitlement program, either the county or the State will be required to fund these services.
- County non-Medicaid expenditures are projected at $141.8 million for FY 2012.
- Counties are projected to have ending fund balances of $19.2 million. These fund balances are not spread equally among counties. Of the 99 counties, 26 are projected to have a negative ending fund balance.
- Most, if not all, core service domains are covered in some form in each county today, so it is not assumed there would need to be significant service expansion to meet minimum core service domain requirements.
- County of Legal Settlement will be eliminated and replaced with county of residence.
- The DHS will need an additional 4.0 FTEs to provide technical assistance to assist in the formation of regions, manage contracts with the regions, develop and manage data systems and to staff workgroups.

Overall Fiscal Impact

The overall fiscal impact for this Bill cannot be determined because there are not enough details on the number of regions, what each region's chapter 28E agreement will require between the counties involved, and the specific services within each service domain they will provide. Many of these decisions will be left to counties to negotiate as part of their chapter 28E agreement.

At the current service level, total Medicaid and non-Medicaid expenditures for counties are estimated to be $372.9 million in FY 2013. Total revenues available to counties for FY 2013 are estimated to be $321.5 million; this includes $303.3 million from the General Fund and Social Services Block Grant and status quo funding from the counties of $118.3 million. This leaves counties $51.5 million short of providing a status quo level of services. Counties are also projected to have $19.2 million in ending fund balances that will help offset the $51.4 million need, but only if those ending fund balances are in counties that experience shortfalls. Without additional appropriations, it is likely that there will be significant reductions and waiting lists for non-Medicaid services. Estimated revenues and expenditures are summarized in the table below:

Estimated Revenues	FY 2013
County Property Tax Dollars	$ 118,301,338
Energy Replacement (Tax Palo)	1,167,465
Property Tax Relief	88,400,000
Allowed Growth	74,697,893
Community Services	14,187,556
SSBG Local Purchase	12,381,763
State Payment Program	12,369,482
Total Revenues	$ 321,505,497
Estimate Expenditures	
County Medicaid Services	$ 231,038,178
County Non-Medicaid Services	141,822,827
Total Expenditures	$ 372,861,005
Potential Shortfall*	$ (51,355,508)

*Counties are anticipated to have $19.2 million in ending fund balances which may help offset the shortfall.

A summary of potential fiscal impacts by category is provided below.

Fiscal Impact Additional DHS Costs

It is assumed that the DHS will need additional staff to provide technical assistance to counties in creating regions, for the management of regional contracts, and for additional data and workgroup requirements in the Bill. The cost of 4.0 additional FTE positions for the DHS (2 Program Planner 3s, and 2 Management Analysts 3s) plus support costs are estimated to cost the General Fund $347,800 in FY 2013 and $367,082 in FY 2014.

Fiscal Impact Core Services

Although most counties currently provide core services under each service domain listed in the Bill, it is likely that when regionalizing some counties will either have to add or eliminate services so that a standard set of services are provided across each region. In addition to the core service domains, there is an additional section of core-plus services that may be provided as the State provides additional funding.

Fiscal Impact Creation of Regions

With the creation of regions in the future, it is anticipated that there will be some savings due to more efficient management, economies of scale, and with counties able to spread the risk of covering more individuals. However, it is anticipated that those savings will be used to fund core or core-plus services within the region.

Fiscal Impact County of Legal Settlement

With the change for counties to fund services for individuals based on county of residence instead of county of legal settlement, it is anticipated that there will be additional costs to some counties and savings for others now that individuals will be funded based on where they intend to live and not where they had previously established residency. Most counties should see some savings from this change because the current county of legal settlement process is very administratively burdensome.

Fiscal Impact Subacute Level of Care

Division V of this Bill creates a new facility licensure chapter for a subacute level of care. Reimbursement for these facilities is required to be set at the direct care Medicare-certified hospital-based nursing facility patient-day-weighted median, currently $447 per day. Although there is a certificate of need process, it is difficult to estimate the number of beds or the level of utilization. The Bill does not limit the number of beds, and existing Intermediate Care Facility for Persons with Mental Illness beds are grandfathered in. It is assumed that the majority of these beds will not be eligible for Medicaid match. If there were 50 subacute beds in the State filled to capacity for 365 days, at a cost of $447 per day, it would cost the State $8.2 million annually. However, this Bill puts the subacute level of care into the section of services that may be provided when funds are made available. So counties would not be required to fund these beds. It is also likely that subacute services could save the State, counties, and private not-for-profit hospitals money because individuals may be moved from a less costly and less restrictive level of care, such as a psychiatric bed at a hospital or MHI, or out of the custody of a county sheriff.

Conclusion

Due to the fact that this Bill will result in counties negotiating many of the decisions through 28E agreements and many of the services are contingent on funding provided by the State, a division by division summary of the estimated fiscal impact cannot be made at this time.

Sources

Department of Human Services
LSA Analysis

/s/ Holly M. Lyons

March 14, 2012

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the correctional and minority impact statements were prepared pursuant to Iowa Code **section 2.56**. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.