



FINAL REPORT

Mental Health and Disability Services Funding Study Committee

January 15, 2019

MEMBERS

Senator Jeff Edler, Co-Chairperson
Senator Joe Bolkcom
Senator Mark Costello
Senator Amanda Ragan
Senator Mark Segebart

Representative Joel Fry, Co-Chairperson
Representative Timi Brown-Powers
Representative Gary Carlson
Representative Lisa Heddens
Representative Shannon Lundgren

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Mental Health and Disability Services Funding Study Committee

AUTHORIZATION AND APPOINTMENT

The Legislative Council established the Mental Health and Disability Services Funding Study Committee to analyze the viability of mental health and disability services funding, including the methodology used to calculate and determine the base expenditure amount, the county budgeted amount, the regional per capita expenditure amount, the statewide per capita expenditure target amount, and the cash flow reduction amount. The committee is required to submit its recommendations to the General Assembly by January 15, 2019.

I. Committee Proceedings

The Mental Health and Disability Services Funding Study Committee was created by the Legislative Council for the 2018 Interim and authorized to hold two meetings. The committee conducted meetings on Friday, October 5, 2018, and Friday, December 14, 2018. Senator Jeff Edler and Representative Joel Fry served as co-chairpersons for both meetings.

II. October 5, 2018, Meeting

A. History of Adult Mental Health and Disability Services Funding in Iowa. Mr. Jess Benson, Senior Legislative Analyst, Legislative Services Agency, provided the committee with an overview of the major legislative enactments relating to Mental Health and Disability Services (MH/DS) funding over the previous 25 years. Legislation enacted in 1995 capped the MH/DS property tax levy at \$214.2 million statewide, with counties choosing to lock in FY 1994 actual expenditures or FY 1996 net expenditures as their new county levy dollar cap. The state then provided \$88.4 million in property tax relief to reduce the levy to \$125.8 million statewide. Mr. Benson presented data on the varying county property tax levy rates and various sources of MH/DS funding following implementation of the statewide cap, and noted the complexities that existed in the years following implementation of the statewide cap.



Mr. Benson also provided historical context for the responsibility of paying certain portions of Medicaid for MH/DS. Mr. Benson outlined the adult MH/DS redesign that was enacted in 2012 where the state assumed responsibility for the nonfederal share of Medicaid previously funded by the counties, directed counties to join regions, created core and core plus service domains, set MH/DS eligibility standards, and created a new per capita levy system with a cap of \$47.28 per capita. In addition, equalization payments were made by the state to counties in FY 2014 and FY 2015. Additional modifications to the MH/DS funding system were adopted through the Medicaid expansion by the state under the Affordable Care Act. Certain individuals became eligible to receive more intensive services under Medicaid. Consequently, counties were for one year required to return 80 percent of the savings related to Medicaid expansion to the state to help offset the state cost for Medicaid either through returning all or a portion of the county's equalization payment or reduction of the following year's property tax levy.

Senate File 504, enacted in 2017, equalized the tax levied in each county on a regional basis and set a maximum per capita amount that can be levied across the entire region. Accordingly, there are now only 14 different maximum levy rates among the 99 counties, ranging from \$25.84 to \$47.28. Senate File 504 also instituted limits on funds counties reserve for cash flow, gave counties three years to spend down excess fund balances, and included specific funding transfer and service provisions for Polk County and Broadlawns Medical Center.

Mr. Benson concluded his remarks by identifying several ongoing issues related to the MH/DS funding system and briefly describing several of the funding options and legislative reform proposals that have been presented in recent years.

B. Telehealth Services. Mr. Doug Wilson, President, Integrated Telehealth Partners (ITP), presented an overview of ITP's telepsychiatry and mental health patient placement services. ITP's customers in



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Iowa include 10 MH/DS regions, 51 hospitals, 20 mental health clinics, 57 county jails, 4 crisis centers, and 3 Assertive Community Treatment teams.

Mr. Wilson identified the benefits of using telepsychiatry services in order to create collaborative situations with emergency room physicians that more quickly identify the appropriate level of care and to reduce the likelihood of unnecessary hospitalizations. Mr. Wilson outlined ITP's telepsychiatry assessment process and, if necessary, the location of available inpatient beds within the state.

According to Mr. Wilson, ITP has handled approximately 4,500 cases in Iowa. Mr. Wilson described 80 percent of those cases as falling within the category of predictable cases, with the remainder being complex cases requiring more rigorous assessments and more difficult placement. Mr. Wilson provided data regarding the disposition outcomes of ITP's cases, placement times, transportation distances for placements, and frequency of cases based on day of the week and time of day.

Mr. Wilson identified several of the difficulties ITP faces when seeking patient placement options and outlined several proposals and considerations relating to efficiencies that could be achieved through modifications of the state's placement process, the modernization of medical file sharing, and potential integration of ITP's software applications. Mr. Wilson also emphasized the need for increased and continued data and analytics collection in order to further optimize the system and establish accountability measures.

C. Committee Small Group Tours. Following the conclusion of committee business at the State Capitol, committee members and legislative staff toured the Crisis Observation Center and other mental health services departments at Broadlawns Medical Center in Des Moines. Tours were also provided for a separate Crisis Observation Center operated by Broadlawns Medical Center, a nine-bed, short-term facility in Des Moines.



III. December 14, 2018, Meeting

A. Department of Human Services. Mr. Rick Shults, Mental Health and Disability Services (MH/DS) Administrator, Department of Human Services (DHS), and Ms. Theresa Armstrong, Community Services and Planning Bureau Chief, DHS, presented the committee with background information regarding the establishment of the 14 MH/DS regions and the development of core services, core plus services, and the initial adjustments to region funding and the accumulation of region fund balances following the Iowa Health and Wellness Plan. Mr. Shults also outlined the actions taken by the regions following enactment of Senate File 504, which directed regions to utilize certain levels of existing fund balances for the payment of services or, if not so used, a reduction in the amount of property taxes levied beginning in FY 2022. Mr. Shults summarized some approaches being taken by regions to adhere to the fund balance requirements while implementing new services required by law.

The committee was given data for each MH/DS region that included the FY 2017 ending fund balance, the FY 2018 total revenue, the FY 2018 expenditures, the FY 2018 ending fund balance, FY 2018 ending fund balance as a percentage of expenditures, the FY 2019 actual levy amount, and the FY 2019 maximum authorized levy. Mr. Shults also provided an overview of the MH/DS data reporting and collection methods and systems used by DHS and identified the limitations and timeliness of the current data. Mr. Shults acknowledged that despite the challenges of implementing the regional system, MH/DS regions have successfully formed networks of delivery that meet or exceed requirements and developed and expanded core services to include services such as crisis services and jail diversion services. According to Mr. Shults, 95 percent of core services meet accessibility standards for almost all regions and availability of service providers remains the primary reason for not meeting access standards.

Mr. Shults and Ms. Armstrong presented data showing a decreased utilization of inpatient services and an increased use of outpatient services between FY 2016 and FY 2017 as well as data showing



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a decreased use of sheltered workshop services and an increase in the use of community-based integrated services during the same period of time. Mr. Shults and Ms. Armstrong also provided data relating to the use and development of jail diversion programs, Assertive Community Treatment (ACT) teams, and mobile response programs across the state. Additional information was provided to the committee regarding the availability of 23-hour crisis observation facilities, crisis stabilization residential services, subacute facilities, intensive residential service homes, and access centers. The DHS representatives addressed the current development status for access centers among the MH/DS regions and the varied approaches to their structure, including the preference for co-location of the associated services.

In response to committee questioning, DHS representatives identified the efficacy and limitations of the current data collection and reporting process utilized by DHS and each of the MH/DS regions and the continued improvement of reporting and responsiveness by the regions. Committee members also requested additional information on the varied financial conditions among the MH/DS regions and the approaches being used to spend fund balances. DHS representatives also engaged in discussions with committee members regarding the likelihood of fluctuating property tax levy rates for certain counties and regions, the geographic placement of current and planned access centers, and the ability of MH/DS regions to pay increased service rates.

B. MH/DS Regions. Ms. Lori Elam, CEO, Eastern Iowa MH/DS, discussed the geographic and demographic characteristics of the Eastern Iowa Region and the fiscal challenges facing the region following the passage of Senate File 504 and House File 2456. Ms. Elam noted the inadequacy of the Eastern Iowa region's \$30.78 per capita cap and the region's ongoing budget deficit due to meeting current service needs and the cost of new services enacted in House File 2456.



In response to Senate File 504, four counties in the Eastern Iowa region had to reduce their property tax levy to \$30.78 per capita, while Scott County chose not to increase their levy to a similar level, citing a lack of statutory requirement and the region's available fund balance. Ms. Elam acknowledged the prior disagreements among the region's counties, but expressed optimism that the region had moved on from such problems. The Eastern Iowa region is utilizing a plan under which all counties other than Scott are levying zero for FY 2019 in order to reduce their fund balance. Ms. Elam acknowledged that this approach is likely to result in fluctuating levy rates during future budget years. Ms. Elam also identified the new service requirements contained in House File 2456 as a source of budget uncertainty due to the scope, duration, and cost of the services, which are primarily to better serve individuals with complex needs. Ms. Elam identified the additional costs for expanded "core" services in the Eastern Iowa region's FY 2019 budget, but expressed concern with the required use of fund balances. Ms. Elam believes regionalization to have been a positive process but also that long-term funding solutions are needed.

In response to committee questioning, Ms. Elam detailed the region's decision-making process in electing to use the fund balances more rapidly than other MH/DS regions and discussed the need for an increase in the level of allowable fund balances.

Ms. Kathy Lerma, CEO, County Rural Offices of Social Services (CROSS), provided geographic and population information about CROSS and the region's current levy limitations. Ms. Lerma also detailed the high levels of poverty in the member counties of CROSS.

Ms. Lerma detailed recent achievements by CROSS including implementing Iowa's first rural ACT team covering all seven member counties and the upcoming opening of an access center. The access center will include assessment and evaluation services with medical clearance, if indicated, 23-hour holds, crisis stabilization residential services, subacute beds, a peer support warm line, mobile crisis services, crisis stabilization community services, and care coordination.



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Ms. Lerma discussed financial data for the most recent three fiscal years and the region's five-year fiscal projections, including tax revenues, levy rates, total expenditures, and ending fund balances. Ms. Lerma also discussed the effect on working relationships among the counties following the implementation of the region-wide levy rate cap and resulting reduction of revenue during FY 2018. Ms. Lerma additionally discussed the challenges facing CROSS due to the population loss expected in the member counties.

Ms. Lerma outlined CROSS's development of intensive rehabilitation service homes, crisis stabilization community-based services, and implementation of the Individual Placements and Supports model. Ms. Lerma examined the projected reductions in CROSS's fund balances and the resulting situation where costs exceed revenues and the likelihood that CROSS will eventually be unable to sustain the first quarter expenses with a 25 percent fund balance limitation. Ms. Lerma identified the following to maintain a workable fund balance, sustain services, and avoid waiting lists for services: adequate Medicaid rates for providers; insurance parity; transparency from managed care organizations on billing criteria; timely Medicaid eligibility processing; an adequate per capita levy rate, acquisition of additional funding streams; and strong service and case management teams.

In response to committee questioning, Ms. Lerma highlighted the benefits to the creation of the regional system, but also identified the ability of individual counties to levy at rates below others as an ongoing source of conflict between member counties. Ms. Lerma also cited the discrepancies in costs of providing services in rural versus urban areas, and discussed proposals for alternative funding methods, including state sales tax revenues coupled with uniform statewide property tax rates.

C. County Board of Supervisors. Mr. Dave Thompson, Marshall County Board of Supervisors, addressed the committee on issues relating to how county supervisors have adjusted and implemented the new regional MH/DS system and the recent changes to MH/DS funding and required services. Mr. Thompson noted the preference amongst most taxpayers that property tax rates remain consistent



rather than experience large fluctuations. Additionally, Mr. Thompson expressed support for proposals that would allow counties and regions to spend fund balances down less quickly and proposals that allow for home rule and that recognize the differing circumstances faced by each MH/DS region. Mr. Thompson identified jail diversion programs as a significant success within MH/DS regions and, in response to committee questioning, identified 30 percent as a minimum acceptable fund balance standard and the importance of allowing flexibility for regions to make prudent budgeting decisions.

D. Public Comment. The committee provided the public an opportunity to make comments regarding the subject matter under consideration by the committee. Each individual was allowed to speak for approximately three minutes. Ten individuals offered comments during the public comment period.

IV. Proposals Presented to Committee

During the December 14, 2018, meeting, the committee voted to include a summary of the policy proposals presented to the committee during the committee's two meetings.

A. Mr. Jess Benson, Legislative Services Agency, identified prior policy proposals made to the General Assembly including allowing all regions to levy a standard per capita dollar amount and allowing for future growth, state level funding for the entire MH/DS system using state general fund or other dedicated funding source, and dedicating a portion of increased state sales taxes to MH/DS.

B. Mr. Doug Wilson, Integrated Telehealth Partners (ITS), proposed implementation of a centralized placement system for MH/DS patients, including integration of Care Match with ITS's JuvoNow Platform and more robust data collection.

C. Ms. Lori Elam, Eastern Iowa MH/DS, proposed modifications to fund balance limitations to prevent fluctuations in county property tax rates, determination of a long-term funding source for MH/DS system, and implementation of a childrens' MH/DS system.



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D. Ms. Kathy Lerma, County Rural Offices of Social Services (CROSS), proposed modifications of the current fund balance limitations and per capita levy rates to enable CROSS to maintain sufficient fund balances and to sustain and develop services. Ms. Lerma also identified the need to pursue proposals that create adequate Medicaid rates for providers, insurance parity, transparency from managed care organizations on billing criteria, and timely processing of Medicaid eligibility. Ms. Lerma also proposed the acquisition of additional funding streams through grants and community partners, and discussed a proposal that would establish a statewide uniform per capita levy rate of \$25.84 and implement a protected sales tax of three-eighths of one percent that would be used to backfill the current adult MH/DS system and fund children's MH/DS and substance use treatment.

E. Mr. Dave Thompson, Marshall County Board of Supervisors, proposed modifications to the current fund balance requirements to prevent the fluctuations in county property tax rates and advocated for proposals that recognize the differences among MH/DS regions. Mr. Thompson proposed lengthening the time to spend down fund balances and identified 30 percent as a minimum acceptable amount for future fund balances. Mr. Thompson also identified successful jail diversion programs and other newly implemented programs as targets for increased funding and noted the need for setting per capita caps at levels to allow for prudent decision making.

F. During the public comment period during the December 14, 2018, meeting the committee received information on proposals that would prioritize funding for newly implemented successful programs like jail diversion and include data from such program within any increased data collection efforts. Proposals were also offered relating to a removal of the per capita levy rates, modification of carryforward balances, including identification of assigned or earmarked funds, modifications of how the fund balance limits are calculated, increased data collection and reporting by MH/DS regions, and addressing temporary funding provisions for Polk County.



V. Materials Filed with the Legislative Services Agency

The following materials listed were distributed at or in connection with the meeting and are filed with the Legislative Services Agency. The materials may be accessed from the “Committee Documents” link on the committee’s Internet site: www.legis.iowa.gov/committees/meetings/documents?committee=31963&ga=ALL

A. October 5, 2018, Meeting

1. Mental Health and Disabilities Services Levies FY 2017-2019, Legislative Services Agency.
2. History of Adult Mental Health and Disabilities Services Funding in Iowa, Legislative Services Agency.
3. Presentation, Integrated Telehealth Partners.

B. December 14, 2018, Meeting

1. Iowa Mental Health and Disability Services Regions: Statewide Report SFY 2017, Iowa Department of Human Services.
2. MH/DS Region Implementation Report Regarding Mental Health Services for Individuals with Complex Service Needs, Iowa Department of Human Services.
3. Mental Health and Disability Services Funding Study Committee Presentation, Iowa Department of Human Services.
4. Eastern Iowa Mental Health and Disability Services Region Presentation, Ms. Lori Elam.
5. County Rural Offices of Social Services Presentation, Ms. Kathy Lerma.