

MAR 12 2003  
Place On Calendar

HOUSE FILE 529  
BY COMMITTEE ON HUMAN RESOURCES

(SUCCESSOR TO HF 221)  
(COMPANION TO LSB 2107SS  
BY HOUSER)

Passed House, Date Passed <sup>4/21/03</sup> 3/18/03 Passed Senate, Date Passed 4/15/03  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved 5/2/03

A BILL FOR

1 An Act directing the mental health and developmental disabilities  
2 commission to make recommendations for redesigning the mental  
3 health and developmental disabilities services system for  
4 adults and children and providing an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 529

1 Section 1. MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES  
2 SERVICES SYSTEM REDESIGN.

3 In fulfilling the mental health and developmental  
4 disabilities commission's duty under section 225C.6,  
5 subsection 1, paragraph "q", the commission shall submit a  
6 report containing recommendations in accordance with this  
7 section to the governor and general assembly on or before  
8 December 31, 2003, for redesign of the state's mental health  
9 and developmental disabilities services system for adults and  
10 children. The commission shall address all of the following  
11 system components in the report and recommendations:

12 1. STANDARD CLINICAL AND FINANCIAL ELIGIBILITY.

13 The commission shall do all of the following:

14 a. Propose a standard set of clinical and diagnostic  
15 eligibility requirements for use in determining which  
16 individuals will be covered for defined core services,  
17 including but not limited to, general clinical eligibility  
18 standards, service access criteria, level of care  
19 requirements, and terminology changes.

20 b. Propose financial eligibility criteria for qualifying  
21 covered individuals, including guidelines for resources,  
22 copayments, income, and assets.

23 c. Identify the total projected cost for all counties to  
24 adopt the standardized clinical and financial eligibility  
25 requirements and criteria proposed by the commission.

26 2. MINIMUM SET OF CORE SERVICES.

27 The commission shall do all of the following:

28 a. Identify a minimum set of core services to be provided  
29 by each county. This core set of services shall be availab  
30 statewide. An individual's eligibility for core services  
31 shall be based on consistent clinical criteria and service  
32 necessity.

33 b. Identify the total projected cost for all counties to  
34 make the core services available.

35 c. Design the core set of services as a replacement for

1 the current statutory mandates for services. The purpose of  
2 replacing the current statutory mandates with the core set of  
3 services is to shift the emphasis to community-based services  
4 by providing covered individuals a reasonable level of choice  
5 to meet their individual needs within available funding. The  
6 initial set of core services considered by the commission  
7 shall include all of the following community-based services:

- 8 (1) Mental health outpatient treatment.
- 9 (2) Inpatient psychiatric evaluation and treatment at  
10 county-designated facilities.
- 11 (3) Service coordination and case management.
- 12 (4) Vocational services.
- 13 (5) Residential services.

14 3. FUNDING FOLLOWS THE COVERED INDIVIDUAL.

15 The commission shall do all of the following:

16 a. Develop a new formula that allows public funding to  
17 follow the covered individual regardless of categorical  
18 funding. Distribution of state funds shall be based on a  
19 matrix of disability-related reimbursement rate cells. Each  
20 cell shall specify a reimbursement rate based on disability  
21 group and level of functioning. The funding formula shall  
22 take into account the number of covered individuals enrolled  
23 in each county and the average cost of services provided to  
24 covered individuals in each cell. The formula shall  
25 incorporate all of the following principles:

26 (1) Each county will receive a quarterly allotment equal  
27 to the product of the average costs per cell times the number  
28 of individuals enrolled in each cell during the previous  
29 quarter. To accommodate cash flow needs of counties and  
30 reduce the level of fund balances counties need to maintain,  
31 the state would make payments at the beginning of each quarter  
32 based on the anticipated number of covered individuals, with a  
33 reconciliation in the next quarter to the actual number of  
34 covered individuals.

35 (2) Increasing overall state funding levels in proportion

1 to county funding levels.

2 (3) Allocating any increased state funding to achieve  
3 statewide equity in service access.

4 (4) Allocating the state funding for state institutions  
5 through counties rather than directly to the institutions so  
6 that these services operate on an equal basis with other  
7 services.

8 (5) Allocating state funding and administrative costs for  
9 state cases to the covered individual's county of residence.

10 (6) Allocating the risk for service cost increases to the  
11 counties and allocating the cost for increases in the number  
12 of covered individuals to the state. Risk allocation  
13 provisions shall address methods for managing the risk.

14 (7) Providing for risk management and flexibility  
15 provisions such as cell rate adjustments, allowing waiting  
16 lists to be used for an unanticipated increase in the number  
17 of covered individuals, distributing quarterly allocations to  
18 counties based upon the previous quarter's number of covered  
19 individuals, removing categorical funding restrictions,  
20 applying standards to ensure county cash flow capacity, and  
21 allowing inflation adjustments.

22 (8) Expanding the state risk pool provisions under section  
23 426B.5 to allow access to risk pool funding for specific  
24 purposes and to allow counties to maintain a certain level of  
25 fund balances in order to address certain cost factors.

26 b. All of the following factors shall be considered in  
27 developing formula provisions for calculating the distribution  
28 of funds:

29 (1) A county's ability to levy based on available taxable  
30 valuation and average per capita income.

31 (2) A requirement for each county to have a fund balance  
32 sufficient to cover all of the following:

33 (a) Cash flow for current services.

34 (b) Building maintenance and repair costs.

35 (c) Investments in new programs.

1 (d) A local risk pool that will cover extraordinary  
2 expenses while a county is preparing an application to the  
3 statewide risk pool.

4 (3) County costs for administration and infrastructure.

5 (4) Funds for counties to pay the costs of crisis  
6 response, hospital diversion, prevention, consultation,  
7 education, and outreach services that are provided outside the  
8 rate cell methodology or fee payment policy.

9 (5) Incentives to counties for coordination,  
10 collaboration, and infrastructure development.

11 c. Identify state and county costs to implement the  
12 proposed funding formula for the individuals and services  
13 identified under subsections 1 and 2.

14 4. REPLACE LEGAL SETTLEMENT PROCESS.

15 The commission shall do all of the following:

16 a. Develop a plan to provide for a transition from the  
17 current legal settlement process of determining financial  
18 liability for service costs to a process that provides for  
19 equitable service access based upon an individual's residency.  
20 Implementation of this approach shall be coordinated with the  
21 provisions for implementing a new funding formula. Exceptions  
22 shall be allowed for those individuals who establish residence  
23 in a county due to a service referral approved by another  
24 county or who establish temporary residence for educational or  
25 other temporary purposes. Individuals who are residents due  
26 to referrals from other states or are transients from other  
27 states shall remain a state responsibility.

28 b. Propose a definition for "legal resident". The initial  
29 meaning of this term is an individual who is legally residing  
30 within the state, has established a place of residence with an  
31 address, and intends to remain within the geographic  
32 boundaries of a particular county. Examples of indicators  
33 that an individual has become a legal resident of a county may  
34 include but are not limited to any of the following:

35 (1) Having an E911 address.

1 (2) Receiving utility bills for that address.

2 (3) Being registered to vote at that address.

3 A legal resident shall not include an individual who is  
4 residing in the county as a result of placement or referral  
5 for services or other support by another county, this state,  
6 or another state; an individual temporarily living in a county  
7 for education or training; or an individual who is a transient  
8 from another state. The commission shall propose a means of  
9 resolving disputes, such as a mediation committee composed of  
10 county representatives, to review such disputes, and make a  
11 determination as to the appropriate county of residence.

12 c. Identify the costs for each county to make services  
13 available on the basis of residency instead of legal  
14 settlement.

15 5. COORDINATION OF FUNDING STREAMS.

16 The commission shall do all of the following:

17 a. Develop a specific approach for counties and the state  
18 to access additional federal housing funds.

19 b. In consultation with counties, support new efforts to  
20 maximize federal funding for defined core services, including  
21 accessing federal funds to support or match county  
22 expenditures to standardize inpatient and outpatient treatment  
23 and hospital diversion costs for Medicaid program recipients.

24 c. Develop recommendations identifying the manner in which  
25 services will be funded by the federal government, the state,  
26 and the counties.

27 Sec. 2. EFFECTIVE DATE. This Act, being deemed of  
28 immediate importance, takes effect upon enactment.

29 EXPLANATION

30 This bill directs the mental health and developmental  
31 disabilities commission to make recommendations for  
32 redesigning the mental health and developmental disabilities  
33 services system for adults and children.

34 One of the commission's duties under current law in Code  
35 section 225C.6 is to perform "analyses and other functions

1 associated with a redesign of the mental health and  
2 developmental disability services systems for adults and for  
3 children". The bill requires the commission to address these  
4 system components with recommendations: standardizing  
5 clinical and financial eligibility, identifying a minimum set  
6 of core services to be available in each county statewide,  
7 developing a funding formula so that funding follows an  
8 eligible individual, providing a transition from the current  
9 legal settlement process of determining financial liability  
10 for service costs to a new system, and developing methods for  
11 improved coordination of federal, state, and county funding  
12 streams.

13 The commission's report and recommendations are required to  
14 be submitted to the governor and general assembly on or before  
15 December 31, 2003.

16 The bill takes effect upon enactment.

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HOUSE FILE 529

S-3166

1 Amend House File 529, as passed by the House, as  
2 follows:

3 1. Page 1, lines 9 and 10, by striking the words  
4 "and children".

5 2. Page 2, by striking line 15 and inserting the  
6 following:

7 "The commission shall include a process by which  
8 funding follows the covered individual among the  
9 options considered, including but not limited to the  
10 following:"

11 3. By striking page 4, line 14, through page 5,  
12 line 14, and inserting the following:

13 "4. ADDRESS THE LEGAL SETTLEMENT PROCESS.

14 The commission shall consider options for  
15 addressing the deficiencies in the legal settlement  
16 process currently used for determining governmental  
17 financial liability for service costs. The options  
18 considered may include but are not limited to  
19 providing for a transition to a system that provides  
20 for service access based upon an individual's  
21 residency."

22 4. Title page, line 4, by striking the words "and  
23 children".

By COMMITTEE ON HUMAN RESO  
KEN VEENSTRA, CHAIRPERS

S-3166 FILED APRIL 8, 2003

Adopted 4/15/03

SENATE AMENDMENT TO  
HOUSE FILE 529

H-1342

1 Amend House File 529, as passed by the House, as  
2 follows:

3 1. Page 1, lines 9 and 10, by striking the words  
4 "and children".

5 2. Page 2, by striking line 15 and inserting the  
6 following:

7 "The commission shall include a process by which  
8 funding follows the covered individual among the  
9 options considered, including but not limited to the  
10 following:"

11 3. By striking page 4, line 14, through page 5,  
12 line 14, and inserting the following:

13 "4. ADDRESS THE LEGAL SETTLEMENT PROCESS.

14 The commission shall consider options for  
15 addressing the deficiencies in the legal settlement  
16 process currently used for determining governmental  
17 financial liability for service costs. The options  
18 considered may include but are not limited to  
19 providing for a transition to a system that provides  
20 for service access based upon an individual's  
21 residency."

22 4. Title page, line 4, by striking the words "and  
23 children".

RECEIVED FROM THE SENATE

H-1342 FILED APRIL 15, 2003

House concurred 4/21/03



AN ACT

DIRECTING THE MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES COMMISSION TO MAKE RECOMMENDATIONS FOR REDESIGNING THE MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES SERVICES SYSTEM FOR ADULTS AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES SERVICES SYSTEM REDESIGN.

In fulfilling the mental health and developmental disabilities commission's duty under section 225C.6, subsection 1, paragraph "q", the commission shall submit a report containing recommendations in accordance with this section to the governor and general assembly on or before December 31, 2003, for redesign of the state's mental health and developmental disabilities services system for adults. The commission shall address all of the following system components in the report and recommendations:

1. STANDARD CLINICAL AND FINANCIAL ELIGIBILITY.

The commission shall do all of the following:

a. Propose a standard set of clinical and diagnostic eligibility requirements for use in determining which individuals will be covered for defined core services, including but not limited to, general clinical eligibility standards, service access criteria, level of care requirements, and terminology changes.

b. Propose financial eligibility criteria for qualifying covered individuals, including guidelines for resources, copayments, income, and assets.

c. Identify the total projected cost for all counties to adopt the standardized clinical and financial eligibility requirements and criteria proposed by the commission.

2. MINIMUM SET OF CORE SERVICES.

The commission shall do all of the following:

a. Identify a minimum set of core services to be provided by each county. This core set of services shall be available statewide. An individual's eligibility for core services shall be based on consistent clinical criteria and service necessity.

b. Identify the total projected cost for all counties to make the core services available.

c. Design the core set of services as a replacement for the current statutory mandates for services. The purpose of replacing the current statutory mandates with the core set of services is to shift the emphasis to community-based services by providing covered individuals a reasonable level of choice to meet their individual needs within available funding. The initial set of core services considered by the commission shall include all of the following community-based services:

(1) Mental health outpatient treatment.

(2) Inpatient psychiatric evaluation and treatment at county-designated facilities.

(3) Service coordination and case management.

(4) Vocational services.

(5) Residential services.

3. FUNDING FOLLOWS THE COVERED INDIVIDUAL.

The commission shall include a process by which funding follows the covered individual among the options considered, including but not limited to the following:

a. Develop a new formula that allows public funding to follow the covered individual regardless of categorical funding. Distribution of state funds shall be based on a matrix of disability-related reimbursement rate cells. Each cell shall specify a reimbursement rate based on disability group and level of functioning. The funding formula shall take into account the number of covered individuals enrolled in each county and the average cost of services provided to

covered individuals in each cell. The formula shall incorporate all of the following principles:

(1) Each county will receive a quarterly allotment equal to the product of the average costs per cell times the number of individuals enrolled in each cell during the previous quarter. To accommodate cash flow needs of counties and reduce the level of fund balances counties need to maintain, the state would make payments at the beginning of each quarter based on the anticipated number of covered individuals, with a reconciliation in the next quarter to the actual number of covered individuals.

(2) Increasing overall state funding levels in proportion to county funding levels.

(3) Allocating any increased state funding to achieve statewide equity in service access.

(4) Allocating the state funding for state institutions through counties rather than directly to the institutions so that these services operate on an equal basis with other services.

(5) Allocating state funding and administrative costs for state cases to the covered individual's county of residence.

(6) Allocating the risk for service cost increases to the counties and allocating the cost for increases in the number of covered individuals to the state. Risk allocation provisions shall address methods for managing the risk.

(7) Providing for risk management and flexibility provisions such as cell rate adjustments, allowing waiting lists to be used for an unanticipated increase in the number of covered individuals, distributing quarterly allocations to counties based upon the previous quarter's number of covered individuals, removing categorical funding restrictions, applying standards to ensure county cash flow capacity, and allowing inflation adjustments.

(8) Expanding the state risk pool provisions under section 426B.5 to allow access to risk pool funding for specific purposes and to allow counties to maintain a certain level of fund balances in order to address certain cost factors.

b. All of the following factors shall be considered in developing formula provisions for calculating the distribution of funds:

(1) A county's ability to levy based on available taxable valuation and average per capita income.

(2) A requirement for each county to have a fund balance sufficient to cover all of the following:

(a) Cash flow for current services.

(b) Building maintenance and repair costs.

(c) Investments in new programs.

(d) A local risk pool that will cover extraordinary expenses while a county is preparing an application to the statewide risk pool.

(3) County costs for administration and infrastructure.

(4) Funds for counties to pay the costs of crisis response, hospital diversion, prevention, consultation, education, and outreach services that are provided outside the rate cell methodology or fee payment policy.

(5) Incentives to counties for coordination, collaboration, and infrastructure development.

c. Identify state and county costs to implement the proposed funding formula for the individuals and services identified under subsections 1 and 2.

#### 4. ADDRESS THE LEGAL SETTLEMENT PROCESS.

The commission shall consider options for addressing the deficiencies in the legal settlement process currently used for determining governmental financial liability for service costs. The options considered may include but are not limited to providing for a transition to a system that provides for service access based upon an individual's residency.

#### 5. COORDINATION OF FUNDING STREAMS.

The commission shall do all of the following:

a. Develop a specific approach for counties and the state to access additional federal housing funds.

b. In consultation with counties, support new efforts to maximize federal funding for defined core services, including

accessing federal funds to support or match county expenditures to standardize inpatient and outpatient treatment and hospital diversion costs for Medicaid program recipients.

c. Develop recommendations identifying the manner in which services will be funded by the federal government, the state, and the counties.

Sec. 2. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

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CHRISTOPHER C. RANTS  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 529, Eightieth General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

Approved \_\_\_\_\_, 2003

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THOMAS J. VILSACK  
Governor