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SENATE FILE 150  
BY COMMITTEE ON GOVERNMENT  
OVERSIGHT

(SUCCESSOR TO SSB 1059)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to government efficiency by providing for the  
2 delivery of administrative services to state government,  
3 establishment of common state services regional boundaries,  
4 revising medical assistance program eligibility and benefits  
5 provisions, improving coordination of veterans benefits  
6 eligibility determinations, requiring a comprehensive study of  
7 the state mental health institutes, and revising requirements  
8 involving the judicial district departments of correctional  
9 services, and providing effective dates.

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

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DIVISION I

ADMINISTRATIVE SERVICES

Section 1. STATE GOVERNMENT ADMINISTRATIVE SERVICES.

1. As used in this section, unless the context otherwise requires:

a. "Delivering agency" is a governmental agency, other than the primary agency setting policy for the delivery of a designated state service, or a nongovernmental entity designated by the applicable lead agency to deliver a designated state service.

b. "Designated state service" means one of the following services provided to state agencies: printing, information technology, mail, human resource benefits and payroll, financial accounting, property management, fleet management, and purchasing services.

c. "Lead agency" is a governmental agency that may or may not deliver a designated state service, but is the primary agency setting policy for the delivery of the service, and may assign the delivery of the service to a delivering agency.

d. "Managed competition" means a process that allows both state government entities and nonstate government entities to submit competitive bids to provide designated state services, which process takes into account the true cost-accounting costs for state government entities and may result in multiple providers of the same designated state service. The use of managed competition shall not preclude the use of other entrepreneurial steps in any area.

2. a. The department of management may, pursuant to the requirements of this section, determine how the designated state services of all executive branch agencies, community-based corrections districts, and other state governmental entities shall be delivered.

b. This section shall not apply to the judicial branch, legislative branch, statewide elected officials, area education agencies, and community colleges. In addition, the

1 state board of regents shall be exempt from the requirements  
2 of this section as it relates to the delivery of information  
3 technology and mail services, and such other services as  
4 determined by the department of management.

5 3. The department of management shall determine which  
6 governmental agency shall be the lead agency for each  
7 designated state service. The department of management may be  
8 designated a lead agency. The lead agency may delegate the  
9 authority to designate a delivering agency to a group of  
10 government consumers of the designated state service. In  
11 addition, the lead agency may delegate responsibilities to any  
12 government subdivision for the purposes of fulfilling that  
13 lead agency's or the government subdivision's needs in a  
14 designated state service.

15 4. The following duties relating to state administrative  
16 services shall be performed as provided by this subsection.

17 a. By July 1, 2004, the lead agency for printing services  
18 shall submit a request for proposals for a managed competition  
19 for printing services. The request for proposals shall allow  
20 for the awarding of all or parts of printing services to a  
21 governmental agency or nongovernmental entity.

22 b. The lead agency for information technology services  
23 shall determine the means of delivery for all information  
24 technology services, including determining which services  
25 shall remain the responsibility of individual state agencies.  
26 The lead agency shall determine which application development  
27 activities shall remain as responsibilities of the individual  
28 state agencies. As of July 1, 2003, all employees delivering  
29 information technology services shall be transferred to the  
30 lead agency or applicable delivering agency and any funding  
31 appropriated for such services shall also be transferred, as  
32 determined by the department of management.

33 c. The three major data centers of state government shall  
34 be physically merged into one data center as expeditiously as  
35 possible, no later than July 1, 2004.

1 d. The department of management may limit unified fleet  
2 management responsibilities to cars and small trucks. By July  
3 1, 2005, the fleet management operations shall be subject to a  
4 managed competition process conducted by the lead agency for  
5 fleet management services. Any one-time savings shall be  
6 amortized based on state government's average borrowing cost  
7 for funds over the preceding five years.

8 5. The auditor of state shall be consulted on the  
9 designation of a lead agency or delivering agency, and a  
10 decision to conduct a managed competition process for each  
11 designated state service. The auditor of state shall also be  
12 consulted regarding the issuance of a request for proposals  
13 and shall also be consulted in the award process. The auditor  
14 of state's role is to provide advice as to whether an approach  
15 offers the best opportunity for reducing state government  
16 costs.

17 6. The provisions of this section apply notwithstanding  
18 any provision of the Iowa Code to the contrary.

19 Sec. 2. EFFECTIVE DATE. This division of this Act,  
20 relating to state government administrative services, being  
21 deemed of immediate importance, takes effect upon enactment.

22 DIVISION II

23 REGIONAL BOUNDARIES

24 Sec. 3. STATE SERVICES REGIONAL BOUNDARIES.

25 1. A state services regional boundaries task force,  
26 hereafter referred to as the task force, is created. The task  
27 force shall be comprised of eight members selected in the  
28 following manner:

29 a. One member shall be appointed jointly by the  
30 administrators of the area education agencies created by  
31 chapter 273.

32 b. One member shall be appointed by the director of the  
33 department of human services.

34 c. One member shall be appointed jointly by the directors  
35 of the judicial district departments of correctional services

1 created by chapter 905.

2 d. One member shall be appointed by the chief justice of  
3 the supreme court.

4 e. Two citizen members shall be appointed by the governor.

5 f. One citizen member shall be appointed jointly by the  
6 majority leader of the senate and the speaker of the house of  
7 representatives.

8 g. One citizen member shall be appointed jointly by the  
9 minority leader of the senate and the minority leader of the  
10 house of representatives.

11 2. The task force is charged with the responsibility of  
12 proposing common boundaries for area education agencies,  
13 department of human services service areas, judicial  
14 districts, and judicial district departments of correctional  
15 services. No more than eight regions shall be proposed by the  
16 task force; however, any entity may have fewer regions if the  
17 larger region boundaries are consistent with the smaller  
18 coextensive region boundaries. The task force shall issue a  
19 report to the general assembly's joint government oversight  
20 committee by October 1, 2003, containing its findings and  
21 recommended service area boundaries.

22 3. If the task force fails to issue a report by October 1,  
23 2003, or if no common state services regional boundaries  
24 proposal is contained in its recommendations, the joint  
25 legislative government oversight committee shall direct the  
26 legislative service bureau to develop a plan for common  
27 regional boundaries for submission to the general assembly  
28 which plan shall be submitted to the general assembly by  
29 December 31, 2003. The joint government oversight committee  
30 shall develop the criteria to be followed by the legislative  
31 service bureau in establishing a common regional boundaries  
32 plan. The criteria shall provide, at a minimum, that the  
33 legislative service bureau consider the needs of the entities  
34 providing state services and identify the boundaries that will  
35 provide the greatest efficiencies, while maximizing the

1 ability to deliver state services with limited financial  
2 resources.

3 4. A plan for common regional boundaries submitted to the  
4 general assembly pursuant to this section shall provide for  
5 the establishment of an advisory committee within each new  
6 region to provide input for the planning and implementation of  
7 the staffing and operations of the new region.

8 Sec. 4. EFFECTIVE DATE. This division of this Act,  
9 relating to administrative services boundary redistricting,  
10 being deemed of immediate importance, takes effect upon  
11 enactment.

12 DIVISION III

13 MEDICAL ASSISTANCE PROGRAM

14 Sec. 5. PHARMACY DISPENSING FEES -- MEDICAL ASSISTANCE  
15 PROGRAM. Beginning July 1, 2003, the department of human  
16 services shall reimburse pharmacy dispensing fees under the  
17 medical assistance program using a rate of \$4 per prescription  
18 or the pharmacy's usual and customary fee, whichever is lower.

19 Sec. 6. USE OF LEAST-COST GENERIC DRUGS -- MEDICAL  
20 ASSISTANCE PROGRAM. The department of human services shall  
21 adopt rules to require the use under the medical assistance  
22 program of the least-cost generic drug for all categories of  
23 prescription drugs in which at least three AB-rated drugs have  
24 been established. The rules shall include that reimbursement  
25 for these drugs does not exceed 135 percent of the average-  
26 cost drug in the category, subject to any existing upper  
27 reimbursement limits. The average cost may be established  
28 utilizing data from national buying groups that are accessible  
29 to all pharmacists. It is the intent of the general assembly  
30 that the department of human services implement this provision  
31 to the extent allowed under federal law and in an  
32 administratively efficient manner. For the purpose of this  
33 section, "AB-rated drug" means any products coded AB by the  
34 food and drug administration of the United States department  
35 of health and human services.

1     Sec. 7. PREFERRED DRUG LIST. The department of human  
 2 services shall develop a preferred drug list and prior  
 3 authorization program as the basis for pursuing supplemental  
 4 rebates from pharmaceutical manufacturers under the medical  
 5 assistance program. The department shall pursue negotiations  
 6 with pharmaceutical manufacturers, including possible regional  
 7 collaboration, to achieve supplemental rebates or other means,  
 8 which may include direct purchase from pharmaceutical  
 9 manufacturers, to reduce the cost of pharmaceuticals under the  
 10 medical assistance program. For the purpose of this section,  
 11 "supplemental rebates" means rebates in addition to those  
 12 rebates designated by the federal government under the rebate  
 13 program.

14     Sec. 8. ELIGIBILITY COMPLIANCE -- MEDICAL ASSISTANCE  
 15 PROGRAM. The department of human services, in coordination  
 16 with the auditor of state, shall perform random audits of  
 17 medical assistance program recipient eligibility to determine  
 18 compliance with eligibility requirements. The department  
 19 shall implement additional screening procedures, including but  
 20 not limited to expanded employment checks with the department  
 21 of revenue and finance, if audit results indicate a cost-  
 22 benefit return resulting from implementation of such  
 23 procedures. The additional screening procedures shall not be  
 24 interpreted to include a requirement for monthly reporting by  
 25 recipients. The department of human services shall report the  
 26 results of the audit, the implementation of any additional  
 27 screening procedures, and the results of implementation of any  
 28 additional screening procedures to the general assembly's  
 29 committees on government oversight.

30                                     DIVISION IV

31                                     VETERANS BENEFITS

32     Sec. 9. NEW SECTION. 135C.31A ASSESSMENT OF RESIDENT  
 33 PROGRAM ELIGIBILITY.

34     Beginning July 1, 2003, a health care facility receiving  
 35 reimbursement through the medical assistance program under

1 chapter 249A shall determine, prior to the initial admission  
2 of a resident, the prospective resident's eligibility for  
3 benefits through the United States department of veterans  
4 affairs. A health care facility shall also determine the  
5 eligibility of current residents residing in the facility on  
6 July 1, 2003 for such benefits. The health care facility  
7 shall report any information collected to the Iowa commission  
8 of veterans affairs. The department of inspections and  
9 appeals, in cooperation with the Iowa commission of veterans  
10 affairs and the department of human services, shall adopt  
11 rules to administer this section including a provision that  
12 ensures that if a resident is eligible for benefits through  
13 the United States department of veterans affairs or other  
14 third-party payor, the payor of last resort for reimbursement  
15 to the health care facility is the medical assistance program.

16 Sec. 10. COORDINATION OF EFFORTS -- VETERANS BENEFITS  
17 ELIGIBILITY DETERMINATIONS. It is the intent of the general  
18 assembly that a full-time equivalent position be designated  
19 and assigned to work with health care facility residents and  
20 that the county directors of veteran affairs be directed to  
21 collaborate with the Iowa commission of veterans affairs to  
22 maximize the receipt of benefits through the United States  
23 department of veterans affairs by eligible veterans and their  
24 dependents.

25 DIVISION V

26 CHILDREN'S AUTHORITY

27 Sec. 11. Section 235.1, Code 2003, is amended to read as  
28 follows:

29 235.1 DEFINITIONS.

30 1. The terms "state division", "administrator", and  
31 "child" are used in this chapter and chapter 238 as the terms  
32 are defined in section 234.1.

33 2. "Child welfare services" means social welfare services  
34 for the protection and care of children who are homeless,  
35 dependent or neglected, or in danger of becoming delinquent,



1 or who have a mental illness or mental retardation or other  
2 developmental disability, including, when necessary, care and  
3 maintenance in a foster care facility. Child welfare services  
4 are designed to serve a child in the child's home whenever  
5 possible. If not possible, and the child is placed outside  
6 the child's home, the placement should be in the least  
7 restrictive setting available and in close proximity to the  
8 child's home. Child welfare services include but are not  
9 limited to all of the following:

10 a. Foster care and other services listed in section  
11 234.35.

12 b. Services or support provided to a child with mental  
13 retardation or other developmental disability or to the  
14 child's family.

15 c. Intensive family preservation services and family-  
16 centered services, as defined in section 232.102, subsection  
17 10, paragraph "b".

18 d. Other services involving placement of a child outside  
19 the child's home or the prevention of such placements.

20 3. "Children's authority" means the department or the  
21 state agency designated under section 235.7 to fulfill the  
22 duties of the state division and the administrator under this  
23 chapter.

24 4. "Department" means the department of human services.

25 Sec. 12. NEW SECTION. 235.7 CHILDREN'S AUTHORITY.

26 1. SYSTEM CHANGE. The purpose of establishing a  
27 children's authority is to improve the child welfare services  
28 system in this state by changing the roles of the state and  
29 service providers, providing greater flexibility, and focusing  
30 on performance.

31 2. TASK FORCE. The governor shall establish a task force  
32 to provide guidance to the children's authority in making  
33 changes to the child welfare services system. The task force  
34 membership shall include representatives from the department,  
35 counties, and community-based agencies appointed by the

1 governor and shall include members of the general assembly  
2 from the majority and minority parties in each chamber of the  
3 general assembly appointed by the legislative council.

4 3. AGENCY DESIGNATED. Unless by statute a state agency  
5 other than the department is designated to serve as the  
6 children's authority on behalf of the state, the department  
7 shall be the children's authority. If such a statute is  
8 enacted, the designated state agency shall serve as the  
9 children's authority in lieu of the department and shall  
10 fulfill the duties of the department, state division, and the  
11 administrator as provided by this chapter.

12 4. FULFILLING STATUTORY DUTIES. If a state agency other  
13 than the department is designated in accordance with  
14 subsection 3 to serve as the children's authority, in addition  
15 to assuming the duties of the state division and the  
16 administrator, that state agency shall fulfill duties and  
17 responsibilities and exercise authority otherwise assigned by  
18 statute to the department relative to child welfare services,  
19 including but not limited to all of the following:

20 a. Court-ordered placements and services and other child  
21 welfare services responsibilities involving the department  
22 under chapter 232, including but not limited to sections  
23 232.52, 232.102, 232.117, 232.127, 232.143, and 232.188.

24 b. Child and family services, including but not limited to  
25 fees for child welfare services under section 234.8 and  
26 payment responsibility under section 234.35.

27 c. Foster care under chapter 237.

28 d. Child-placing agencies under chapter 238.

29 e. To the maximum extent allowable under federal law and  
30 regulation, those services funded under the federal Social  
31 Security Act and provided to children in out-of-home  
32 placements or to prevent or eliminate the need for such  
33 placements, including but not limited to those funded under  
34 Title IV-E and XIX of that Act.

35 5. CHILDREN'S AUTHORITY RESPONSIBILITIES. The children's

1 authority shall do all of the following in regard to child  
2 welfare services:

- 3 a. Identify needs and determine service eligibility.
- 4 b. Make referrals to service providers.
- 5 c. Provide state oversight and ensure regulatory  
6 compliance through an integrated contract management,  
7 licensing, and certification process.
- 8 d. Act as liaison with the federal government.
- 9 e. Pay for services.

10 6. SERVICE PROVIDER RESPONSIBILITIES. Service provider  
11 agencies shall do all of the following in regard to child  
12 welfare services:

- 13 a. Act as the service delivery entity and manage the  
14 service delivery system.
- 15 b. Act as the case manager and develop the treatment plan.
- 16 c. Provide treatment services and follow-up.
- 17 d. Comply with contract, licensing, and certification  
18 requirements.

19 7. PERFORMANCE-BASED CONTRACTS. The children's authority  
20 shall enter into performance-based contracts with service  
21 provider agencies to carry out the responsibilities outlined  
22 in subsection 6. The performance-based contracts shall be  
23 developed in a manner to ensure proper documentation is  
24 maintained, risks and liabilities are shared, and flexibility  
25 is provided for innovative care.

26 Sec. 13. IMPLEMENTATION. Unless the children's authority  
27 established under this Act concurs with a request approved by  
28 the task force established under this Act for graduated  
29 implementation, implementation of the child welfare services  
30 system changes made pursuant to this Act shall begin January  
31 1, 2004.

32 DIVISION VI

33 MENTAL HEALTH INSTITUTES

34 Sec. 14. STATE MENTAL HEALTH INSTITUTES -- COMPREHENSIVE  
35 STUDY.

1 1. The departments of human services and corrections shall  
2 conduct a comprehensive study of alternative uses of the four  
3 state mental health institutes, including but not limited to  
4 the feasibility of using two of the four campuses as  
5 facilities to house those correctional facility inmates who  
6 are in need of mental health treatment. The feasibility study  
7 shall consider whether such an alternative use would  
8 significantly ease correctional facility overcrowding, would  
9 significantly increase the success of rehabilitative efforts  
10 directed at inmates, and after shifting to an alternative use,  
11 whether the four facilities could be operated without  
12 requiring more funding than provided to operate the four as  
13 state mental health institutes and to provide mental health  
14 treatment in Iowa's prisons. The study shall include analyses  
15 from both departments addressing the potential effects of  
16 various options on the state employee workforce at the  
17 facilities and shall identify the appropriate number of state  
18 mental health institute beds in the state. The study's report  
19 shall be submitted to the governor and general assembly on or  
20 before December 31, 2003.

21 2. If the study demonstrates the efficacy of using two  
22 state mental health institute campuses as correctional  
23 facilities, the two departments shall submit proposed  
24 legislation to the general assembly for the 2004 legislative  
25 session to implement the alternative. If the study  
26 demonstrates that such an alternative use, or any other  
27 alternative use is not efficacious, the department of human  
28 services shall submit proposed legislation to the general  
29 assembly for the 2004 legislative session that would  
30 consolidate the services provided in the four state mental  
31 health institutes into two of the institutes, with one serving  
32 the eastern portion of the state, and the other serving the  
33 western portion of the state.

34 Sec. 15. EFFECTIVE DATE. This division of the Act,  
35 relating to the state mental health institutes, being deemed

1 of immediate importance, takes effect upon enactment.

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DIVISION VII

3

COMMUNITY-BASED CORRECTIONS

4 Sec. 16. Section 904.101, Code 2003, is amended by adding  
5 the following new subsection:

6 NEW SUBSECTION. 2A. "Community-based correctional  
7 administrator" means the person coordinating the  
8 administration of the judicial district departments of  
9 correctional services.

10 Sec. 17. Section 904.104, Code 2003, is amended to read as  
11 follows:

12 904.104 BOARD CREATED.

13 A board of corrections is created within the department.  
14 The board shall consist of ~~seven~~ five members appointed by the  
15 governor and two members appointed by the boards of directors  
16 of the judicial district departments of correctional services  
17 pursuant to section 905.4, all subject to confirmation by the  
18 senate. Not more than four of the members shall be from the  
19 same political party. Members shall be electors of this  
20 state. Members of the board shall serve four-year staggered  
21 terms.

22 Sec. 18. Section 904.108, subsection 1, Code 2003, is  
23 amended by adding the following new paragraph after paragraph  
24 b:

25 NEW PARAGRAPH. bb. Supervise the community-based  
26 correctional administrator.

27 Sec. 19. Section 904.108, subsection 1, Code 2003, is  
28 amended by adding the following new paragraph:

29 NEW PARAGRAPH. p. Review the qualifications and  
30 recommendations of individuals for the position of director of  
31 a judicial district department of correctional services who  
32 have been recommended for the position by a district board as  
33 provided in section 905.4.

34 Sec. 20. NEW SECTION. 904.108A COMMUNITY-BASED  
35 CORRECTIONAL ADMINISTRATOR.

1 1. The community-based correctional administrator shall be  
2 appointed by the governor and shall serve at the pleasure of  
3 the governor. The administrator shall be knowledgeable in the  
4 administration of correctional programs, and shall possess  
5 administrative ability. The administrator shall be supervised  
6 by the director.

7 2. The community-based correctional administrator shall  
8 coordinate and administer the judicial district departments of  
9 correctional services and the duties of the administrator  
10 shall include but are not limited to developing and managing a  
11 plan for the establishment, implementation, and operation of  
12 community-based correctional programs among the judicial  
13 district departments of correctional services. The  
14 administrator shall appoint the directors of the judicial  
15 district departments of correctional services. The director  
16 of a judicial district department of correctional services  
17 shall serve at the pleasure of the administrator.

18 Sec. 21. Section 905.2, Code 2003, is amended to read as  
19 follows:

20 905.2 DISTRICT DEPARTMENTS ESTABLISHED.

21 There is established in each judicial district in this  
22 state a public agency to be known as the "..... judicial  
23 district department of correctional services." Each district  
24 department shall furnish or contract for those services  
25 necessary to provide a community-based correctional program  
26 which meets the needs of that judicial district. The district  
27 department is under the direction of a board of directors,  
28 selected as provided in section 905.3, and shall be  
29 administered by a director employed by the board department of  
30 corrections. A district department is a state agency for  
31 purposes of chapter 669.

32 Sec. 22. Section 905.4, unnumbered paragraph 1, Code 2003,  
33 is amended to read as follows:

34 The Consulting with the director, the district board shall:

35 Sec. 23. Section 905.4, subsection 2, Code 2003, is

1 amended to read as follows:

2 2. ~~Employ a director having the qualifications required by~~  
3 ~~section 905.6 to head the district department's community-~~  
4 ~~based correctional program and, within a range established by~~  
5 ~~the Iowa department of corrections, fix the compensation of~~  
6 ~~and have control over the director and the district~~  
7 ~~department's staff~~ all district board employees. For purposes  
8 of collective bargaining under chapter 20, employees of the  
9 district board who are not exempt from chapter 20 are  
10 employees of the state, and the employees of all of the  
11 district boards shall be included within one collective  
12 bargaining unit.

13 Sec. 24. Section 905.4, Code 2003, is amended by adding  
14 the following new subsection:

15 NEW SUBSECTION. 12. Appoint two persons to the board of  
16 corrections as provided in section 904.104. Persons shall be  
17 appointed to the board of corrections by a majority vote of  
18 all the individual members of the boards of directors of the  
19 judicial district departments of correctional services.

20 Sec. 25. Section 905.4, Code 2003, is amended by adding  
21 the following new unnumbered paragraph after subsection 12:

22 NEW UNNUMBERED PARAGRAPH. The district board may recommend  
23 to the director of the department of corrections individuals  
24 qualified for the position of director of the judicial  
25 district department of correctional services when a vacancy  
26 exists in the office of director.

27 Sec. 26. Section 905.6, unnumbered paragraph 1, Code 2003,  
28 is amended to read as follows:

29 The director employed by the ~~district board under section~~  
30 ~~905.4, subsection 2,~~ department of corrections shall be  
31 qualified in the administration of correctional programs. The  
32 director shall:

33 Sec. 27. CORRECTIONS BOARD TRANSITION. Notwithstanding  
34 section 904.104, the board of corrections shall consist of  
35 eight or nine members until the number of members not

1 appointed by the boards of directors of judicial district  
2 departments of correctional services is reduced to five, by  
3 attrition, commencing with any vacancy occurring on or after  
4 July 1, 2003. For purposes of this section "vacancy" means  
5 the death, resignation, or removal of a member of the board.

6

EXPLANATION

7 This bill relates to government efficiency by providing for  
8 the delivery of administrative services to state government,  
9 establishment of common state services administrative  
10 boundaries, revising medical assistance program eligibility  
11 and benefits provisions, improving coordination of veterans  
12 benefits eligibility determinations, requiring a comprehensive  
13 study of the state mental health institutes, and revising  
14 requirements involving the judicial district department of  
15 correctional services.

16 Division I provides for the delivery of state government  
17 services as it relates to the following designated state  
18 services: printing, information technology, mail, human  
19 resource benefits and payroll, financial accounting, property  
20 management, fleet management, and purchasing services.

21 Division I exempts the judicial branch, the legislative  
22 branch, the offices of elected officials, area education  
23 agencies, and community colleges from the requirements of the  
24 bill. In addition, the state board of regents is exempt from  
25 the requirements of the bill as they relate to the delivery of  
26 information technology and mail services, and such other  
27 services as determined by the department of management.

28 Division I provides that the department of management may  
29 determine how designated state services shall be delivered and  
30 shall determine which governmental agency shall be the lead  
31 agency for each of the designated state services. Division I  
32 also provides that the department of management may be the  
33 lead agency for an area. The lead agency shall be responsible  
34 for setting policy for the designated state services and may  
35 decide to perform the services or to designate a delivering



1 agency to perform the services. Division I provides that a  
2 delivering agency may be a governmental agency or a  
3 nongovernmental entity that performs designated state  
4 services.

5 Division I further provides that the delivery of printing  
6 services shall be subject to a managed competition process by  
7 July 1, 2004. In addition, fleet management services shall be  
8 subject to a managed competition process by July 1, 2005.

9 Division I also provides that the lead agency for information  
10 technology services shall be determined and all employees and  
11 applicable appropriations shall be transferred to the lead  
12 agency by July 1, 2003. In addition, the three major data  
13 centers shall be physically merged into one data center by  
14 July 1, 2004. Division I also provides that the state auditor  
15 shall be consulted regarding decisions related to designating  
16 lead and delivery agencies and concerning any managed  
17 competition process.

18 Division I provides that the requirements of the bill apply  
19 notwithstanding any provision of the Iowa Code to the  
20 contrary.

21 Division I takes effect upon enactment.

22 Division II provides for the establishment of a state  
23 services regional boundaries task force whose charge shall be  
24 the development of a proposal to create not more than eight  
25 common regions for area education agencies, department of  
26 human services service areas, judicial districts, and judicial  
27 district departments of correctional services. The task force  
28 shall be comprised of a representative from the area education  
29 agencies, department of human services, judicial district  
30 departments of correctional services, two citizens appointed  
31 by the governor, a representative appointed by the chief  
32 justice, a citizen appointed by the majority party leadership  
33 of the general assembly, and a citizen appointed by the  
34 minority party leadership of the general assembly.

35 Division II provides that the task force shall make

1 recommendations to the general assembly for common boundaries  
2 by October 1, 2003. If the task force fails to make a  
3 recommendation, division II provides that the joint  
4 legislative government oversight committee shall provide  
5 criteria upon which the legislative service bureau shall  
6 design a plan with common boundaries to be submitted to the  
7 general assembly by December 31, 2003. At a minimum, the  
8 criteria shall provide that the legislative service bureau  
9 consider the needs of the entities delivering state services  
10 and identify the boundaries that will provide the greatest  
11 efficiencies, while maximizing the ability to deliver the  
12 services with limited financial resources. Division II  
13 further provides that any proposal submitted to the general  
14 assembly shall include a provision establishing an advisory  
15 committee in each new district to provide input for the  
16 planning and implementation of the staffing and operations of  
17 the new district.

18 Division II takes effect upon enactment.

19 Division III relates to the medical assistance program  
20 including measures addressing pharmaceuticals and eligibility  
21 provisions.

22 Division III provides that beginning July 1, 2003, the  
23 department of human services is to reimburse pharmacy  
24 dispensing fees under the medical assistance program using a  
25 rate of \$4 per prescription or the pharmacy's usual and  
26 customary fee, whichever is lower. Currently, the rate is  
27 \$5.17 per prescription or the pharmacy's usual and customary  
28 fee, whichever is lower.

29 Division III also directs the department of human services  
30 to adopt rules to require the use under the medical assistance  
31 program of the least-cost generic drug for all categories of  
32 prescription drugs in which at least three AB-rated drugs have  
33 been established. The rules are to include that reimbursement  
34 for these drugs does not exceed 135 percent of the average-  
35 cost drug in the category, subject to any existing upper

1 reimbursement limits. The average may be established  
2 utilizing data from national buying groups that are accessible  
3 to all pharmacists. Division III provides that it is the  
4 intent of the general assembly that the department of human  
5 services implement this provision to the extent allowed under  
6 federal law and in an administratively efficient manner.

7 Division III directs the department of human services to  
8 develop a preferred drug list and prior authorization program  
9 as the basis for pursuing supplemental rebates from  
10 pharmaceutical manufacturers under the medical assistance  
11 program. The department is directed to pursue negotiations  
12 with pharmaceutical manufacturers, including possible regional  
13 collaboration, to achieve supplemental rebates or other means,  
14 which may include direct purchase from pharmaceutical  
15 manufacturers, and to reduce the cost of pharmaceuticals under  
16 the medical assistance program.

17 Division IV relates to veterans benefits eligibility  
18 determinations.

19 New Code section 135C.31A provides that beginning July 1,  
20 2003, a health care facility receiving reimbursement under the  
21 medical assistance program shall determine, prior to the  
22 initial admission of a resident, the prospective resident's  
23 eligibility for benefits through the United States department  
24 of veterans affairs. A health care facility shall also  
25 determine the eligibility of current residents residing in the  
26 facility on July 1, 2003. The health care facility is  
27 directed to report any information collected to the Iowa  
28 commission of veterans affairs. The department of inspections  
29 and appeals, in cooperation with the Iowa commission of  
30 veterans affairs and the department of human services, is  
31 directed to adopt rules to implement the Code section,  
32 including a provision that ensures that if a resident is  
33 eligible for veterans benefits or other third-party payor  
34 benefits, the payor of last resort for reimbursement to the  
35 health care facility is the medical assistance program.

1 Division IV also provides that it is the intent of the  
2 general assembly that a full-time equivalent position be  
3 designated and assigned to work with health care facility  
4 residents and that the county directors of veteran affairs be  
5 directed to collaborate with the commission of veterans  
6 affairs to maximize receipt of veterans benefits by eligible  
7 veterans and their dependents.

8 Division V establishes a children's authority to make  
9 changes in the child welfare services system and identifies  
10 the respective state and community agency responsibilities for  
11 such services.

12 Division V amends the definitions section in Code chapter  
13 235, relating to child welfare, to add to the definition of  
14 child welfare services, and add new definitions for the  
15 department of human services and the children's authority  
16 established by the bill.

17 New Code section 235.7 states the purpose of identifying a  
18 children's authority is to make changes in the child welfare  
19 system, provides for creation of a task force to advise on  
20 system change, provides contingent authority in the event a  
21 statute is enacted assigning a state agency other than the  
22 department of human services to serve as the children's  
23 authority, enumerates responsibilities of the children's  
24 authority and service providers in a changed system, and  
25 requires the children's authority to utilize a performance-  
26 based contracting approach with service providers.

27 Division V requires implementation of system changes to  
28 begin January 1, 2004, unless the children's authority concurs  
29 with a request approved by the task force for a graduated  
30 implementation.

31 Division VI directs the departments of human services and  
32 corrections to conduct a comprehensive study of alternative  
33 uses for the four state mental health institutes (MHIs). One  
34 of the alternative uses to be studied is for using two of the  
35 MHIs as facilities to house correctional facility inmates who

1 need mental health treatment. Various criteria are to be  
2 covered in the study, including budget considerations. The  
3 study is required to include analyses from both departments  
4 addressing the potential effects of various options on the  
5 state employee workforce at the facilities and to identify the  
6 appropriate number of state mental health institute beds in  
7 the state. The report is required to be submitted to the  
8 governor and general assembly by December 31, 2003.

9 If the study indicates shifting MHIs to alternative use as  
10 correctional facilities is efficacious, the two departments  
11 are to submit proposed legislation to implement the shift for  
12 consideration during the 2004 Legislative Session. Otherwise,  
13 the department of human services is required to submit  
14 proposed legislation for consideration during the 2004  
15 legislative session that would consolidate the four MHIs into  
16 two institutes, with one serving the eastern portion of the  
17 state, and the other serving the western portion of the state.

18 Division VI takes effect upon enactment.

19 Division VII relates to the judicial district department of  
20 correctional services by creating a new community-based  
21 correctional administrator position within the department of  
22 corrections, and by making changes to the membership of the  
23 board of corrections.

24 Division VII creates the position of community-based  
25 correctional administrator to be appointed by and serve at the  
26 pleasure of the governor. The bill provides that the  
27 community-based correctional administrator shall coordinate  
28 the administration of the judicial district departments of  
29 correctional services (judicial districts). Under the bill,  
30 the director of the department of corrections shall supervise  
31 the community-based correctional administrator. The bill  
32 provides that the community-based correctional administrator  
33 appoints the directors of the judicial districts and that the  
34 directors serve at the pleasure of the community-based  
35 correctional administrator. The bill provides that the

1 directors of the judicial districts be employed by the  
2 department of corrections. The bill also provides that the  
3 board of a judicial district shall retain its duties pursuant  
4 to Code section 905.4, but the bill requires the judicial  
5 district board to consult with the director of the judicial  
6 district before exercising its duties. Current law provides  
7 the director of a judicial district is employed by the  
8 judicial district board.

9 Division VII temporarily changes the composition of the  
10 board of corrections from seven members to eight or nine  
11 members. Division VII permits the boards of the judicial  
12 districts to appoint two members to the board of corrections.  
13 Division VII provides that the board of corrections consists  
14 of eight or nine members until the number of members not  
15 appointed by the boards of directors of the judicial district  
16 departments is reduced to five, by attrition, commencing with  
17 any vacancy occurring on or after July 1, 2003. The two  
18 members appointed by the boards of the judicial districts are  
19 appointed by a majority vote of all the individual members of  
20 the boards of directors of the judicial districts. Division  
21 VII provides that the five seats not appointed by the boards  
22 of the judicial districts are appointed by the governor, and  
23 the bill and current law provide that all appointments are  
24 subject to confirmation by the senate.

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SSB 1059

Lundby  
Brunkhorst  
Courtney  
Dvorsky  
Wieck

Succeeded By  
C. HF 150

SENATE/HOUSE FILE *Government*  
BY (RECOMMENDED BY PROGRAM *Oversight*  
ELIMINATION COMMISSION)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to government efficiency by providing for the  
2 delivery of administrative services to state government,  
3 establishment of common state services regional boundaries,  
4 revising medical assistance program eligibility and benefits  
5 provisions, improving coordination of veterans benefits  
6 eligibility determinations, requiring a comprehensive study of  
7 the state mental health institutes, and revising requirements  
8 involving the judicial district departments of correctional  
9 services, and providing effective dates.

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

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DIVISION I

ADMINISTRATIVE SERVICES

Section 1. STATE GOVERNMENT ADMINISTRATIVE SERVICES.

1. As used in this section, unless the context otherwise requires:

a. "Delivering agency" is a governmental agency, other than the primary agency setting policy for the delivery of a designated state service, or a nongovernmental entity designated by the applicable lead agency to deliver a designated state service.

b. "Designated state service" means one of the following services provided to state agencies: printing, information technology, mail, human resource benefits and payroll, financial accounting, property management, fleet management, and purchasing services.

c. "Lead agency" is a governmental agency that may or may not deliver a designated state service, but is the primary agency setting policy for the delivery of the service, and may assign the delivery of the service to a delivering agency.

d. "Managed competition" means a process that allows both state government entities and nonstate government entities to submit competitive bids to provide designated state services, which process takes into account the true cost-accounting costs for state government entities and may result in multiple providers of the same designated state service. The use of managed competition shall not preclude the use of other entrepreneurial steps in any area.

2. a. The department of management may, pursuant to the requirements of this section, determine how the designated state services of all executive branch agencies, community-based corrections districts, and other state governmental entities shall be delivered.

b. This section shall not apply to the judicial branch, legislative branch, statewide elected officials, area education agencies, and community colleges. In addition, the



1 state board of regents shall be exempt from the requirements  
2 of this section as it relates to the delivery of information  
3 technology and mail services, and such other services as  
4 determined by the department of management.

5 3. The department of management shall determine which  
6 governmental agency shall be the lead agency for each  
7 designated state service. The department of management may be  
8 designated a lead agency. The lead agency may delegate the  
9 authority to designate a delivering agency to a group of  
10 government consumers of the designated state service. In  
11 addition, the lead agency may delegate responsibilities to any  
12 government subdivision for the purposes of fulfilling that  
13 lead agency's or the government subdivision's needs in a  
14 designated state service.

15 4. The following duties relating to state administrative  
16 services shall be performed as provided by this subsection.

17 a. By July 1, 2004, the lead agency for printing services  
18 shall submit a request for proposals for a managed competition  
19 for printing services. The request for proposals shall allow  
20 for the awarding of all or parts of printing services to a  
21 governmental agency or nongovernmental entity.

22 b. The lead agency for information technology services  
23 shall determine the means of delivery for all information  
24 technology services, including determining which services  
25 shall remain the responsibility of individual state agencies.  
26 The lead agency shall determine which application development  
27 activities shall remain as responsibilities of the individual  
28 state agencies. As of July 1, 2003, all employees delivering  
29 information technology services shall be transferred to the  
30 lead agency or applicable delivering agency and any funding  
31 appropriated for such services shall also be transferred, as  
32 determined by the department of management.

33 c. The three major data centers of state government shall  
34 be physically merged into one data center as expeditiously as  
35 possible, no later than July 1, 2004.

1 d. The department of management may limit unified fleet  
2 management responsibilities to cars and small trucks. By July  
3 1, 2005, the fleet management operations shall be subject to a  
4 managed competition process conducted by the lead agency for  
5 fleet management services. Any one-time savings shall be  
6 amortized based on state government's average borrowing cost  
7 for funds over the preceding five years.

8 5. The auditor of state shall be consulted on the  
9 designation of a lead agency or delivering agency, and a  
10 decision to conduct a managed competition process for each  
11 designated state service. The auditor of state shall also be  
12 consulted regarding the issuance of a request for proposals  
13 and shall also be consulted in the award process. The auditor  
14 of state's role is to provide advice as to whether an approach  
15 offers the best opportunity for reducing state government  
16 costs.

17 6. The provisions of this section apply notwithstanding  
18 any provision of the Iowa Code to the contrary.

19 Sec. 2. EFFECTIVE DATE. This division of this Act,  
20 relating to state government administrative services, being  
21 deemed of immediate importance, takes effect upon enactment.

22 DIVISION II

23 REGIONAL BOUNDARIES

24 Sec. 3. STATE SERVICES REGIONAL BOUNDARIES.

25 1. A state services regional boundaries task force,  
26 hereafter referred to as the task force, is created. The task  
27 force shall be comprised of eight members selected in the  
28 following manner:

29 a. One member shall be appointed jointly by the  
30 administrators of the area education agencies created by  
31 chapter 273.

32 b. One member shall be appointed by the director of the  
33 department of human services.

34 c. One member shall be appointed jointly by the directors  
35 of the judicial district departments of correctional services

1 created by chapter 905.

2 d. One member shall be appointed by the chief justice of  
3 the supreme court.

4 e. Two citizen members shall be appointed by the governor.

5 f. One citizen member shall be appointed jointly by the  
6 majority leader of the senate and the speaker of the house of  
7 representatives.

8 g. One citizen member shall be appointed jointly by the  
9 minority leader of the senate and the house of  
10 representatives.

11 2. The task force is charged with the responsibility of  
12 proposing common boundaries for area education agencies,  
13 department of human services service areas, judicial  
14 districts, and judicial district departments of correctional  
15 services. No more than eight regions shall be proposed by the  
16 task force; however, any entity may have fewer regions if the  
17 larger region boundaries are consistent with the smaller  
18 coextensive region boundaries. The task force shall issue a  
19 report to the general assembly's joint government oversight  
20 committee by October 1, 2003, containing its findings and  
21 recommended service area boundaries.

22 3. If the task force fails to issue a report by October 1,  
23 2003, or if no common state services regional boundaries  
24 proposal is contained in its recommendations, the joint  
25 legislative government oversight committee shall direct the  
26 legislative service bureau to develop a plan for common  
27 regional boundaries for submission to the general assembly  
28 which plan shall be submitted to the general assembly by  
29 December 31, 2003. The joint government oversight committee  
30 shall develop the criteria to be followed by the legislative  
31 service bureau in establishing a common regional boundaries  
32 plan. The criteria shall provide, at a minimum, that the  
33 legislative service bureau consider the needs of the entities  
34 providing state services and identify the boundaries that will  
35 provide the greatest efficiencies, while maximizing the

1 ability to deliver state services with limited financial  
2 resources.

3 4. A plan for common regional boundaries submitted to the  
4 general assembly pursuant to this section shall provide for  
5 the establishment of an advisory committee within each new  
6 region to provide input for the planning and implementation of  
7 the staffing and operations of the new region.

8 Sec. 4. EFFECTIVE DATE. This division of this Act,  
9 relating to administrative services boundary redistricting,  
10 being deemed of immediate importance, takes effect upon  
11 enactment.

12 DIVISION III

13 MEDICAL ASSISTANCE PROGRAM

14 Sec. 5. PHARMACY DISPENSING FEES -- MEDICAL ASSISTANCE  
15 PROGRAM. Beginning July 1, 2003, the department of human  
16 services shall reimburse pharmacy dispensing fees under the  
17 medical assistance program using a rate of \$4 per prescription  
18 or the pharmacy's usual and customary fee, whichever is lower.

19 Sec. 6. USE OF LEAST-COST GENERIC DRUGS -- MEDICAL  
20 ASSISTANCE PROGRAM. The department of human services shall  
21 adopt rules to require the use under the medical assistance  
22 program of the least-cost generic drug for all categories of  
23 prescription drugs in which at least three AB-rated drugs have  
24 been established. The rules shall include that reimbursement  
25 for these drugs does not exceed 135 percent of the average-  
26 cost drug in the category, subject to any existing upper  
27 reimbursement limits. The average cost may be established  
28 utilizing data from national buying groups that are accessible  
29 to all pharmacists. It is the intent of the general assembly  
30 that the department of human services implement this provision  
31 to the extent allowed under federal law and in an  
32 administratively efficient manner. For the purpose of this  
33 section, "AB-rated drug" means any products coded AB by the  
34 food and drug administration of the United States department  
35 of health and human services.

1     Sec. 7. PREFERRED DRUG LIST. The department of human  
2 services shall develop a preferred drug list and prior  
3 authorization program as the basis for pursuing supplemental  
4 rebates from pharmaceutical manufacturers under the medical  
5 assistance program. The department shall pursue negotiations  
6 with pharmaceutical manufacturers, including possible regional  
7 collaboration, to achieve supplemental rebates or other means,  
8 which may include direct purchase from pharmaceutical  
9 manufacturers, to reduce the cost of pharmaceuticals under the  
10 medical assistance program. For the purpose of this section,  
11 "supplemental rebates" means rebates in addition to those  
12 rebates designated by the federal government under the rebate  
13 program.

14     Sec. 8. ELIGIBILITY COMPLIANCE -- MEDICAL ASSISTANCE  
15 PROGRAM. The department of human services, in coordination  
16 with the auditor of state, shall perform random audits of  
17 medical assistance program recipient eligibility to determine  
18 compliance with eligibility requirements. The department  
19 shall implement additional screening procedures, including but  
20 not limited to expanded employment checks with the department  
21 of revenue and finance, if audit results indicate a cost-  
22 benefit return resulting from implementation of such  
23 procedures. The additional screening procedures shall not be  
24 interpreted to include a requirement for monthly reporting by  
25 recipients. The department of human services shall report the  
26 results of the audit, the implementation of any additional  
27 screening procedures, and the results of implementation of any  
28 additional screening procedures to the general assembly's  
29 committees on government oversight.

30                                   DIVISION IV

31                                   VETERANS BENEFITS

32     Sec. 9. NEW SECTION. 135C.31A ASSESSMENT OF RESIDENT  
33 PROGRAM ELIGIBILITY.

34     Beginning July 1, 2003, a health care facility receiving  
35 reimbursement through the medical assistance program under

1 chapter 249A shall determine, prior to the initial admission  
2 of a resident, the prospective resident's eligibility for  
3 benefits through the United States department of veterans  
4 affairs. A health care facility shall also determine the  
5 eligibility of current residents residing in the facility on  
6 July 1, 2003 for such benefits. The health care facility  
7 shall report any information collected to the Iowa commission  
8 of veterans affairs. The department of inspections and  
9 appeals, in cooperation with the Iowa commission of veterans  
10 affairs and the department of human services, shall adopt  
11 rules to administer this section including a provision that  
12 ensures that if a resident is eligible for benefits through  
13 the United States department of veterans affairs or other  
14 third-party payor, the payor of last resort for reimbursement  
15 to the health care facility is the medical assistance program.

16 Sec. 10. COORDINATION OF EFFORTS -- VETERANS BENEFITS  
17 ELIGIBILITY DETERMINATIONS. It is the intent of the general  
18 assembly that a full-time equivalent position be designated  
19 and assigned to work with health care facility residents and  
20 that the county directors of veteran affairs be directed to  
21 collaborate with the Iowa commission of veterans affairs to  
22 maximize the receipt of benefits through the United States  
23 department of veterans affairs by eligible veterans and their  
24 dependents.

25 DIVISION V

26 CHILDREN'S AUTHORITY

27 Sec. 11. Section 235.1, Code 2003, is amended to read as  
28 follows:

29 235.1 DEFINITIONS.

30 1. The terms "state division", "administrator", and  
31 "child" are used in this chapter and chapter 238 as the terms  
32 are defined in section 234.1.

33 2. "Child welfare services" means social welfare services  
34 for the protection and care of children who are homeless,  
35 dependent or neglected, or in danger of becoming delinquent,

1 or who have a mental illness or mental retardation or other  
2 developmental disability, including, when necessary, care and  
3 maintenance in a foster care facility. Child welfare services  
4 are designed to serve a child in the child's home whenever  
5 possible. If not possible, and the child is placed outside  
6 the child's home, the placement should be in the least  
7 restrictive setting available and in close proximity to the  
8 child's home. Child welfare services include but are not  
9 limited to all of the following:

10 a. Foster care and other services listed in section  
11 234.35.

12 b. Services or support provided to a child with mental  
13 retardation or other developmental disability or to the  
14 child's family.

15 c. Intensive family preservation services and family-  
16 centered services, as defined in section 232.102, subsection  
17 10, paragraph "b".

18 d. Other services involving placement of a child outside  
19 the child's home or the prevention of such placements.

20 3. "Children's authority" means the department or the  
21 state agency designated under section 235.7 to fulfill the  
22 duties of the state division and the administrator under this  
23 chapter.

24 4. "Department" means the department of human services.

25 Sec. 12. NEW SECTION. 235.7 CHILDREN'S AUTHORITY.

26 1. SYSTEM CHANGE. The purpose of establishing a  
27 children's authority is to improve the child welfare services  
28 system in this state by changing the roles of the state and  
29 service providers, providing greater flexibility, and focusing  
30 on performance.

31 2. TASK FORCE. The governor shall establish a task force  
32 to provide guidance to the children's authority in making  
33 changes to the child welfare services system. The task force  
34 membership shall include representatives from the department,  
35 counties, and community-based agencies appointed by the

1 governor and shall include members of the general assembly  
2 from the majority and minority parties in each chamber of the  
3 general assembly appointed by the legislative council.

4 3. AGENCY DESIGNATED. Unless by statute a state agency  
5 other than the department is designated to serve as the  
6 children's authority on behalf of the state, the department  
7 shall be the children's authority. If such a statute is  
8 enacted, the designated state agency shall serve as the  
9 children's authority in lieu of the department and shall  
10 fulfill the duties of the department, state division, and the  
11 administrator as provided by this chapter.

12 4. FULFILLING STATUTORY DUTIES. If a state agency other  
13 than the department is designated in accordance with  
14 subsection 3 to serve as the children's authority, in addition  
15 to assuming the duties of the state division and the  
16 administrator, that state agency shall fulfill duties and  
17 responsibilities and exercise authority otherwise assigned by  
18 statute to the department relative to child welfare services,  
19 including but not limited to all of the following:

20 a. Court-ordered placements and services and other child  
21 welfare services responsibilities involving the department  
22 under chapter 232, including but not limited to sections  
23 232.52, 232.102, 232.117, 232.127, 232.143, and 232.188.

24 b. Child and family services, including but not limited to  
25 fees for child welfare services under section 234.8 and  
26 payment responsibility under section 234.35.

27 c. Foster care under chapter 237.

28 d. Child-placing agencies under chapter 238.

29 e. To the maximum extent allowable under federal law and  
30 regulation, those services funded under the federal Social  
31 Security Act and provided to children in out-of-home  
32 placements or to prevent or eliminate the need for such  
33 placements, including but not limited to those funded under  
34 Title IV-E and XIX of that Act.

35 5. CHILDREN'S AUTHORITY RESPONSIBILITIES. The children's



1 authority shall do all of the following in regard to child  
2 welfare services:

- 3 a. Identify needs and determine service eligibility.
- 4 b. Make referrals to service providers.
- 5 c. Provide state oversight and ensure regulatory  
6 compliance through an integrated contract management,  
7 licensing, and certification process.
- 8 d. Act as liaison with the federal government.
- 9 e. Pay for services.

10 6. SERVICE PROVIDER RESPONSIBILITIES. Service provider  
11 agencies shall do all of the following in regard to child  
12 welfare services:

- 13 a. Act as the service delivery entity and manage the  
14 service delivery system.
- 15 b. Act as the case manager and develop the treatment plan.
- 16 c. Provide treatment services and follow-up.
- 17 d. Comply with contract, licensing, and certification  
18 requirements.

19 7. PERFORMANCE-BASED CONTRACTS. The children's authority  
20 shall enter into performance-based contracts with service  
21 provider agencies to carry out the responsibilities outlined  
22 in subsection 6. The performance-based contracts shall be  
23 developed in a manner to ensure proper documentation is  
24 maintained, risks and liabilities are shared, and flexibility  
25 is provided for innovative care.

26 Sec. 13. IMPLEMENTATION. Unless the children's authority  
27 established under this Act concurs with a request approved by  
28 the task force established under this Act for graduated  
29 implementation, implementation of the child welfare services  
30 system changes made pursuant to this Act shall begin January  
31 1, 2004.

32 DIVISION VI

33 MENTAL HEALTH INSTITUTES

34 Sec. 14. STATE MENTAL HEALTH INSTITUTES -- COMPREHENSIVE  
35 STUDY.

1 1. The departments of human services and corrections shall  
2 conduct a comprehensive study of alternative uses of the four  
3 state mental health institutes, including but not limited to  
4 the feasibility of using two of the four campuses as  
5 facilities to house those correctional facility inmates who  
6 are in need of mental health treatment. The feasibility study  
7 shall consider whether such an alternative use would  
8 significantly ease correctional facility overcrowding, would  
9 significantly increase the success of rehabilitative efforts  
10 directed at inmates, and after shifting to an alternative use,  
11 whether the four facilities could be operated without  
12 requiring more funding than provided to operate the four as  
13 state mental health institutes and to provide mental health  
14 treatment in Iowa's prisons. The study shall include analyses  
15 from both departments addressing the potential effects of  
16 various options on the state employee workforce at the  
17 facilities and shall identify the appropriate number of state  
18 mental health institute beds in the state. The study's report  
19 shall be submitted to the governor and general assembly on or  
20 before December 31, 2003.

21 2. If the study demonstrates the efficacy of using two  
22 state mental health institute campuses as correctional  
23 facilities, the two departments shall submit proposed  
24 legislation to the general assembly for the 2004 legislative  
25 session to implement the alternative. If the study  
26 demonstrates that such an alternative use, or any other  
27 alternative use is not efficacious, the department of human  
28 services shall submit proposed legislation to the general  
29 assembly for the 2004 legislative session that would  
30 consolidate the services provided in the four state mental  
31 health institutes into two of the institutes, with one serving  
32 the eastern portion of the state, and the other serving the  
33 western portion of the state.

34 Sec. 15. EFFECTIVE DATE. This division of the Act,  
35 relating to the state mental health institutes, being deemed

1 of immediate importance, takes effect upon enactment.

2 DIVISION VII

3 COMMUNITY-BASED CORRECTIONS

4 Sec. 16. Section 904.101, Code 2003, is amended by adding  
5 the following new subsection:

6 NEW SUBSECTION. 2A. "Community-based correctional  
7 administrator" means the person coordinating the  
8 administration of the judicial district departments of  
9 correctional services.

10 Sec. 17. Section 904.104, Code 2003, is amended to read as  
11 follows:

12 904.104 BOARD CREATED.

13 A board of corrections is created within the department.  
14 The board shall consist of ~~seven~~ five members appointed by the  
15 governor and two members appointed by the boards of directors  
16 of the judicial district departments of correctional services  
17 pursuant to section 905.4, all subject to confirmation by the  
18 senate. Not more than four of the members shall be from the  
19 same political party. Members shall be electors of this  
20 state. Members of the board shall serve four-year staggered  
21 terms.

22 Sec. 18. Section 901.108, subsection 1, Code 2003, is  
23 amended by adding the following new paragraph after paragraph  
24 b:

25 NEW PARAGRAPH. bb. Supervise the community-based  
26 correctional administrator.

27 Sec. 19. Section 904.108, subsection 1, Code 2003, is  
28 amended by adding the following new paragraph:

29 NEW PARAGRAPH. p. Review the qualifications and  
30 recommendations of individuals for the position of director of  
31 a judicial district department of correctional services who  
32 have been recommended for the position by a district board as  
33 provided in section 905.4.

34 Sec. 20. NEW SECTION. 904.108A COMMUNITY-BASED  
35 CORRECTIONAL ADMINISTRATOR.

1 1. The community-based correctional administrator shall be  
2 appointed by the governor and shall serve at the pleasure of  
3 the governor. The administrator shall be knowledgeable in the  
4 administration of correctional programs, and shall possess  
5 administrative ability. The administrator shall be supervised  
6 by the director.

7 2. The community-based correctional administrator shall  
8 coordinate and administer the judicial district departments of  
9 correctional services and the duties of the administrator  
10 shall include but are not limited to developing and managing a  
11 plan for the establishment, implementation, and operation of  
12 community-based correctional programs among the judicial  
13 district departments of correctional services. The  
14 administrator shall appoint the directors of the judicial  
15 district departments of correctional services. The director  
16 of a judicial district department of correctional services  
17 shall serve at the pleasure of the administrator.

18 Sec. 21. Section 905.2, Code 2003, is amended to read as  
19 follows:

20 905.2 DISTRICT DEPARTMENTS ESTABLISHED.

21 There is established in each judicial district in this  
22 state a public agency to be known as the "..... judicial  
23 district department of correctional services." Each district  
24 department shall furnish or contract for those services  
25 necessary to provide a community-based correctional program  
26 which meets the needs of that judicial district. The district  
27 department is under the direction of a board of directors,  
28 selected as provided in section 905.3, and shall be  
29 administered by a director employed by the board department of  
30 corrections. A district department is a state agency for  
31 purposes of chapter 669.

32 Sec. 22. Section 905.4, unnumbered paragraph 1, Code 2003,  
33 is amended to read as follows:

34 The Consulting with the director, the district board shall:

35 Sec. 23. Section 905.4, subsection 2, Code 2003, is

1 amended to read as follows:

2 2. Employ ~~a director having the qualifications required by~~  
3 ~~section 905.6 to head the district department's community-~~  
4 ~~based correctional program and, within a range established by~~  
5 ~~the Iowa department of corrections, fix the compensation of~~  
6 ~~and have control over the director and the district~~  
7 ~~department's staff~~ all district board employees. For purposes  
8 of collective bargaining under chapter 20, employees of the  
9 district board who are not exempt from chapter 20 are  
10 employees of the state, and the employees of all of the  
11 district boards shall be included within one collective  
12 bargaining unit.

13 Sec. 24. Section 905.4, Code 2003, is amended by adding  
14 the following new subsection:

15 NEW SUBSECTION. 12. Appoint two persons to the board of  
16 corrections as provided in section 904.104. Persons shall be  
17 appointed to the board of corrections by a majority vote of  
18 all the individual members of the boards of directors of the  
19 judicial district departments of correctional services.

20 Sec. 25. Section 905.4, Code 2003, is amended by adding  
21 the following new unnumbered paragraph after subsection 12:

22 NEW UNNUMBERED PARAGRAPH. The district board may recommend  
23 to the director of the department of corrections individuals  
24 qualified for the position of director of the judicial  
25 district department of correctional services when a vacancy  
26 exists in the office of director.

27 Sec. 26. Section 905.6, unnumbered paragraph 1, Code 2003,  
28 is amended to read as follows:

29 The director employed by the ~~district board under section~~  
30 ~~905.47-subsection-27~~ department of corrections shall be  
31 qualified in the administration of correctional programs. The  
32 director shall:

33 Sec. 27. CORRECTIONS BOARD TRANSITION. Notwithstanding  
34 section 904.104, the board of corrections shall consist of  
35 eight or nine members until the number of members not

1 appointed by the boards of directors of judicial district  
2 departments of correctional services is reduced to five, by  
3 attrition, commencing with any vacancy occurring on or after  
4 July 1, 2003. For purposes of this section "vacancy" means  
5 the death, resignation, or removal of a member of the board.

6

EXPLANATION

7 This bill relates to government efficiency by providing for  
8 the delivery of administrative services to state government,  
9 establishment of common state services administrative  
10 boundaries, revising medical assistance program eligibility  
11 and benefits provisions, improving coordination of veterans  
12 benefits eligibility determinations, requiring a comprehensive  
13 study of the state mental health institutes, and revising  
14 requirements involving the judicial district department of  
15 correctional services.

16 Division I provides for the delivery of state government  
17 services as it relates to the following designated state  
18 services: printing, information technology, mail, human  
19 resource benefits and payroll, financial accounting, property  
20 management, fleet management, and purchasing services.  
21 Division I exempts the judicial branch, the legislative  
22 branch, the offices of elected officials, area education  
23 agencies, and community colleges from the requirements of the  
24 bill. In addition, the state board of regents is exempt from  
25 the requirements of the bill as they relate to the delivery of  
26 information technology and mail services, and such other  
27 services as determined by the department of management.

28 Division I provides that the department of management may  
29 determine how designated state services shall be delivered and  
30 shall determine which governmental agency shall be the lead  
31 agency for each of the designated state services. Division I  
32 also provides that the department of management may be the  
33 lead agency for an area. The lead agency shall be responsible  
34 for setting policy for the designated state services and may  
35 decide to perform the services or to designate a delivering

1 agency to perform the services. Division I provides that a  
2 delivering agency may be a governmental agency or a  
3 nongovernmental entity that performs designated state  
4 services.

5 Division I further provides that the delivery of printing  
6 services shall be subject to a managed competition process by  
7 July 1, 2004. In addition, fleet management services shall be  
8 subject to a managed competition process by July 1, 2005.

9 Division I also provides that the lead agency for information  
10 technology services shall be determined and all employees and  
11 applicable appropriations shall be transferred to the lead  
12 agency by July 1, 2003. In addition, the three major data  
13 centers shall be physically merged into one data center by  
14 July 1, 2004. Division I also provides that the state auditor  
15 shall be consulted regarding decisions related to designating  
16 lead and delivery agencies and concerning any managed  
17 competition process.

18 Division I provides that the requirements of the bill apply  
19 notwithstanding any provision of the Iowa Code to the  
20 contrary.

21 Division I takes effect upon enactment.

22 Division II provides for the establishment of a state  
23 services regional boundaries task force whose charge shall be  
24 the development of a proposal to create not more than eight  
25 common regions for area education agencies, department of  
26 human services service areas, judicial districts, and judicial  
27 district departments of correctional services. The task force  
28 shall be comprised of a representative from the area education  
29 agencies, department of human services, judicial district  
30 departments of correctional services, two citizens appointed  
31 by the governor, a representative appointed by the chief  
32 justice, a citizen appointed by the majority party leadership  
33 of the general assembly, and a citizen appointed by the  
34 minority party leadership of the general assembly.

35 Division II provides that the task force shall make

1 recommendations to the general assembly for common boundaries  
2 by October 1, 2003. If the task force fails to make a  
3 recommendation, division II provides that the joint  
4 legislative government oversight committee shall provide  
5 criteria upon which the legislative service bureau shall  
6 design a plan with common boundaries to be submitted to the  
7 general assembly by December 31, 2003. At a minimum, the  
8 criteria shall provide that the legislative service bureau  
9 consider the needs of the entities delivering state services  
10 and identify the boundaries that will provide the greatest  
11 efficiencies, while maximizing the ability to deliver the  
12 services with limited financial resources. Division II  
13 further provides that any proposal submitted to the general  
14 assembly shall include a provision establishing an advisory  
15 committee in each new district to provide input for the  
16 planning and implementation of the staffing and operations of  
17 the new district.

18 Division II takes effect upon enactment.

19 Division III relates to the medical assistance program  
20 including measures addressing pharmaceuticals and eligibility  
21 provisions.

22 Division III provides that beginning July 1, 2003, the  
23 department of human services is to reimburse pharmacy  
24 dispensing fees under the medical assistance program using a  
25 rate of \$4 per prescription or the pharmacy's usual and  
26 customary fee, whichever is lower. Currently, the rate is  
27 \$5.17 per prescription or the pharmacy's usual and customary  
28 fee, whichever is lower.

29 Division III also directs the department of human services  
30 to adopt rules to require the use under the medical assistance  
31 program of the least-cost generic drug for all categories of  
32 prescription drugs in which at least three AB-rated drugs have  
33 been established. The rules are to include that reimbursement  
34 for these drugs does not exceed 135 percent of the average-  
35 cost drug in the category, subject to any existing upper



1 reimbursement limits. The average may be established  
2 utilizing data from national buying groups that are accessible  
3 to all pharmacists. Division III provides that it is the  
4 intent of the general assembly that the department of human  
5 services implement this provision to the extent allowed under  
6 federal law and in an administratively efficient manner.

7 Division III directs the department of human services to  
8 develop a preferred drug list and prior authorization program  
9 as the basis for pursuing supplemental rebates from  
10 pharmaceutical manufacturers under the medical assistance  
11 program. The department is directed to pursue negotiations  
12 with pharmaceutical manufacturers, including possible regional  
13 collaboration, to achieve supplemental rebates or other means,  
14 which may include direct purchase from pharmaceutical  
15 manufacturers, and to reduce the cost of pharmaceuticals under  
16 the medical assistance program.

17 Division IV relates to veterans benefits eligibility  
18 determinations.

19 New Code section 135C.31A provides that beginning July 1,  
20 2003, a health care facility receiving reimbursement under the  
21 medical assistance program shall determine, prior to the  
22 initial admission of a resident, the prospective resident's  
23 eligibility for benefits through the United States department  
24 of veterans affairs. A health care facility shall also  
25 determine the eligibility of current residents residing in the  
26 facility on July 1, 2003. The health care facility is  
27 directed to report any information collected to the Iowa  
28 commission of veterans affairs. The department of inspections  
29 and appeals, in cooperation with the Iowa commission of  
30 veterans affairs and the department of human services, is  
31 directed to adopt rules to implement the Code section,  
32 including a provision that ensures that if a resident is  
33 eligible for veterans benefits or other third-party payor  
34 benefits, the payor of last resort for reimbursement to the  
35 health care facility is the medical assistance program.

1 Division IV also provides that it is the intent of the  
2 general assembly that a full-time equivalent position be  
3 designated and assigned to work with health care facility  
4 residents and that the county directors of veteran affairs be  
5 directed to collaborate with the commission of veterans  
6 affairs to maximize receipt of veterans benefits by eligible  
7 veterans and their dependents.

8 Division V establishes a children's authority to make  
9 changes in the child welfare services system and identifies  
10 the respective state and community agency responsibilities for  
11 such services.

12 Division V amends the definitions section in Code chapter  
13 235, relating to child welfare, to add to the definition of  
14 child welfare services, and add new definitions for the  
15 department of human services and the children's authority  
16 established by the bill.

17 New Code section 235.7 states the purpose of identifying a  
18 children's authority is to make changes in the child welfare  
19 system, provides for creation of a task force to advise on  
20 system change, provides contingent authority in the event a  
21 statute is enacted assigning a state agency other than the  
22 department of human services to serve as the children's  
23 authority, enumerates responsibilities of the children's  
24 authority and service providers in a changed system, and  
25 requires the children's authority to utilize a performance-  
26 based contracting approach with service providers.

27 Division V requires implementation of system changes to  
28 begin January 1, 2004, unless the children's authority concurs  
29 with a request approved by the task force for a graduated  
30 implementation.

31 Division VI directs the departments of human services and  
32 corrections to conduct a comprehensive study of alternative  
33 uses for the four state mental health institutes (MHIs). One  
34 of the alternative uses to be studied is for using two of the  
35 MHIs as facilities to house correctional facility inmates who

1 need mental health treatment. Various criteria are to be  
2 covered in the study, including budget considerations. The  
3 study is required to include analyses from both departments  
4 addressing the potential effects of various options on the  
5 state employee workforce at the facilities and to identify the  
6 appropriate number of state mental health institute beds in  
7 the state. The report is required to be submitted to the  
8 governor and general assembly by December 31, 2003.

9 If the study indicates shifting MHIs to alternative use as  
10 correctional facilities is efficacious, the two departments  
11 are to submit proposed legislation to implement the shift for  
12 consideration during the 2004 Legislative Session. Otherwise,  
13 the department of human services is required to submit  
14 proposed legislation for consideration during the 2004  
15 legislative session that would consolidate the four MHIs into  
16 two institutes, with one serving the eastern portion of the  
17 state, and the other serving the western portion of the state.

18 Division VI takes effect upon enactment.

19 Division VII relates to the judicial district department of  
20 correctional services by creating a new community-based  
21 correctional administrator position within the department of  
22 corrections, and by making changes to the membership of the  
23 board of corrections.

24 Division VII creates the position of community-based  
25 correctional administrator to be appointed by and serve at the  
26 pleasure of the governor. The bill provides that the  
27 community-based correctional administrator shall coordinate  
28 the administration of the judicial district departments of  
29 correctional services (judicial districts). Under the bill,  
30 the director of the department of corrections shall supervise  
31 the community-based correctional administrator. The bill  
32 provides that the community-based correctional administrator  
33 appoints the directors of the judicial districts and that the  
34 directors serve at the pleasure of the community-based  
35 correctional administrator. The bill provides that the

1 directors of the judicial districts be employed by the  
2 department of corrections. The bill also provides that the  
3 board of a judicial district shall retain its duties pursuant  
4 to Code section 905.4, but the bill requires the judicial  
5 district board to consult with the director of the judicial  
6 district before exercising its duties. Current law provides  
7 the director of a judicial district is employed by the  
8 judicial district board.

9 Division VII temporarily changes the composition of the  
10 board of corrections from seven members to eight or nine  
11 members. Division VII permits the boards of the judicial  
12 districts to appoint two members to the board of corrections.  
13 Division VII provides that the board of corrections consists  
14 of eight or nine members until the number of members not  
15 appointed by the boards of directors of the judicial district  
16 departments is reduced to five, by attrition, commencing with  
17 any vacancy occurring on or after July 1, 2003. The two  
18 members appointed by the boards of the judicial districts are  
19 appointed by a majority vote of all the individual members of  
20 the boards of directors of the judicial districts. Division  
21 VII provides that the five seats not appointed by the boards  
22 of the judicial districts are appointed by the governor, and  
23 the bill and current law provide that all appointments are  
24 subject to confirmation by the senate.

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