History of Adult Mental Health and Disability Services Funding in Iowa

October 2018

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Senate File 69 (FY 1996 Property and Income Tax Act)

- Capped the Mental Health and Disability Services (MHDS) levy at $214.2 million statewide, with counties choosing to lock in FY 1994 actual expenditures or FY 1996 net expenditures as their new county levy dollar cap.
- The State then provided $88.4 million in property tax relief to reduce the levy to $125.8 million statewide.
- The MHDS levy is the only levy to be capped at a dollar amount.

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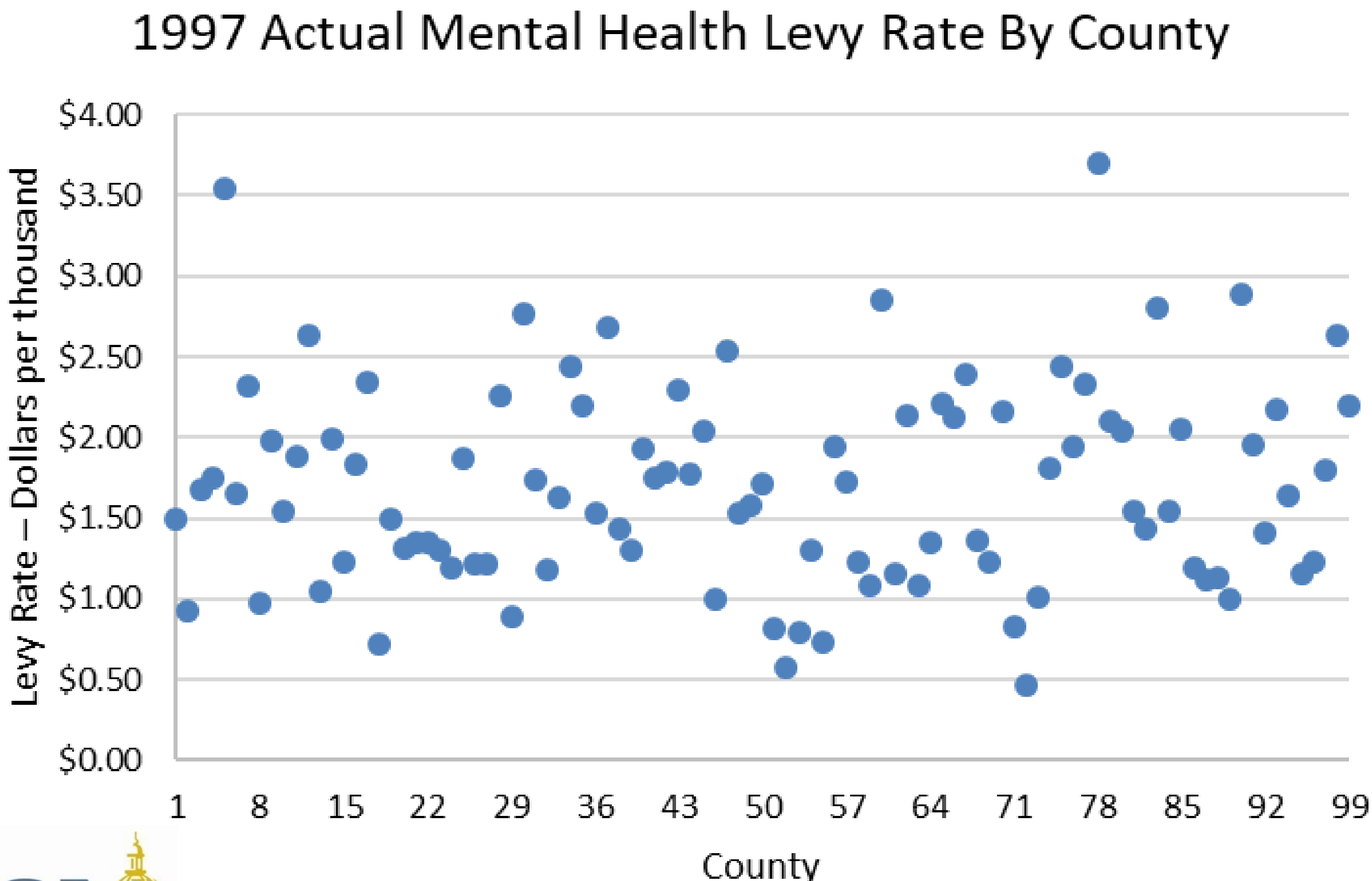
Wide Variation in Mental Health Levy Rates



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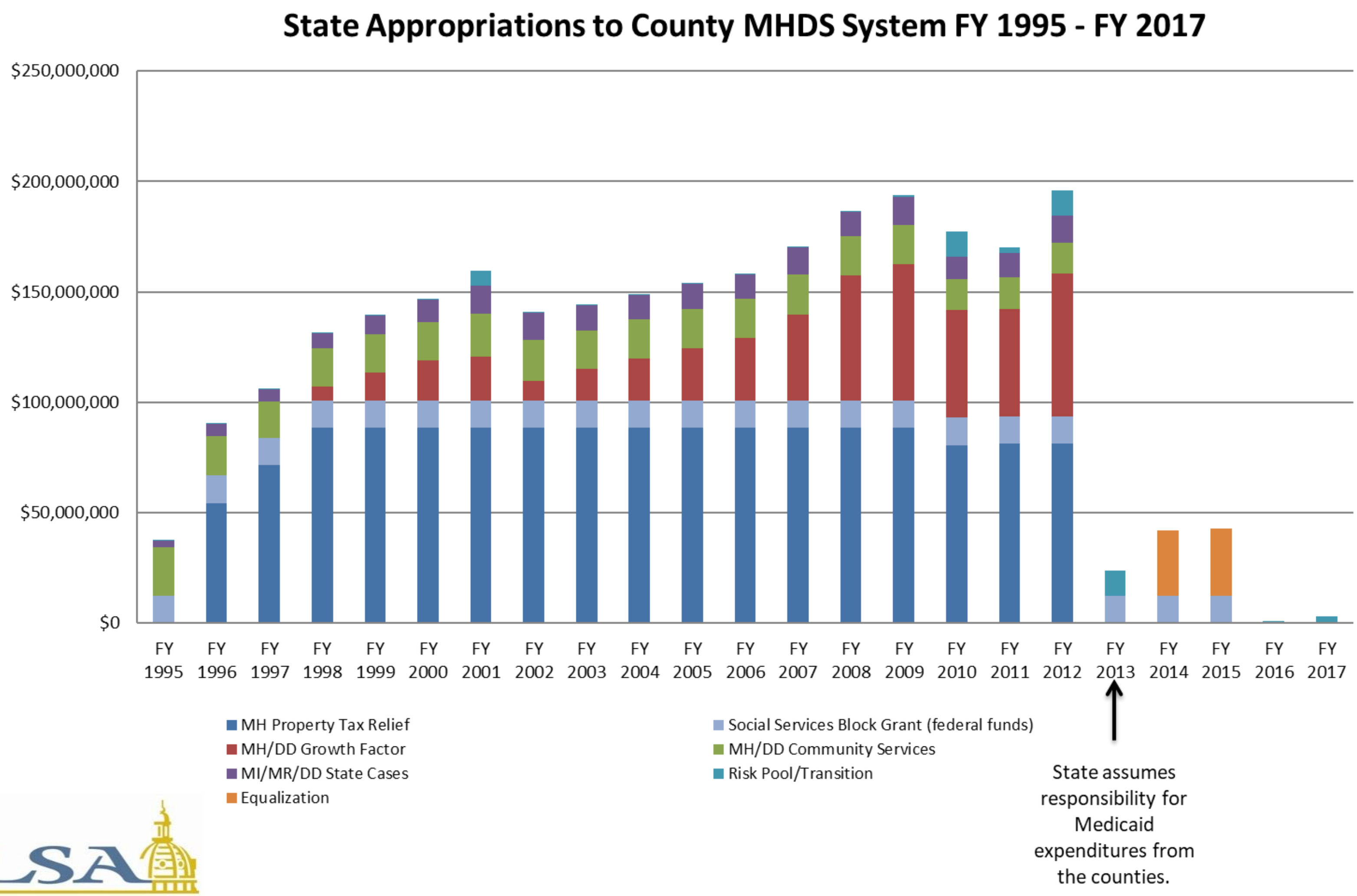
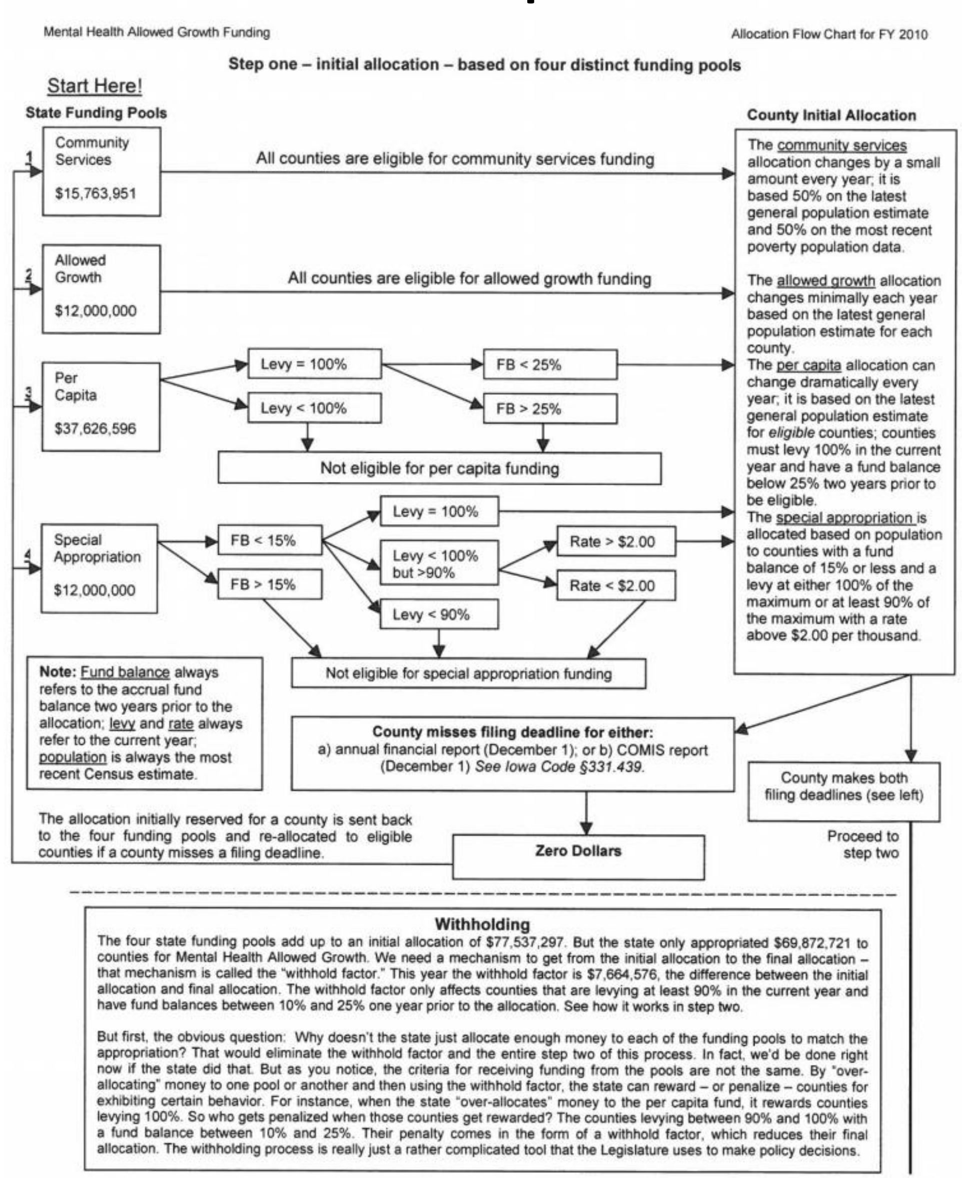
State Appropriations



Distribution Formula Step 1 of 2



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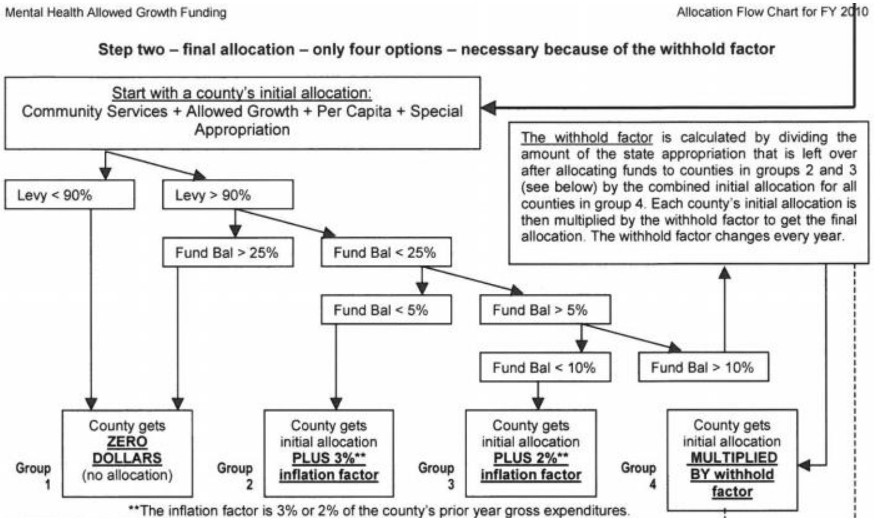
Distribution Formula Step 2 of 2

Step two – final allocation – only four options – necessary because of the withhold factor



**The inflation factor is 3% or 2% of the county's prior year gross expenditures.

A note about withholding – "The Ledge"

There is one final twist to the mental health allowed growth funding allocation: the ledge. The ledge only affects certain counties in group 4 above (those that are levying at least 90% and have fund balances between 10% and 15%) and is best explained with an example. Let's say County 'A' levies 100% and has a 9% fund balance; the county would fall in group 3 and receive its initial allocation plus the 2% inflation factor. Now let's say County 'B' levies 100% and has an 11% fund balance; it would fall in group 4 and receive only its initial allocation multiplied by the withhold factor. Even though County 'B' is only 1 percentage point above the 10% fund balance limit, it could potentially "lose" tens or even hundreds of thousands of dollars. The lost money is the amount of a county's initial allocation that it loses because of the withhold factor. Let's say that County 'B' has expenses of $500,000, a fund balance of $55,000 and an initial allocation of $150,000, and the withhold factor is 50%. The result is that County 'B,' which is over the 10% fund balance level for group 3 by only $5,000, loses $75,000 in state funding by the move to group 4. The ledge is designed to prevent that situation.

The ledge says that a county in group 4 with a fund balance between 10% and 15% can only lose an amount of money equal to the amount by which its fund balance exceeds 10%. (In FY 2010 there is no ledge protection for group 4 counties with fund balances between 15% and 25%.) In our example above, County 'B' could only lose $5,000 – not $75,000. The difference between the county's allowed loss and its loss due to the withhold factor ($70,000 in our example) is "added back" (the ledge is also called the "add-back") in to get the county's final allocation. But remember, it's all coming out of the same state appropriation. So when one county gets some funding "added back" due to the ledge, that changes the withhold factor for every other county in group 4. So after we go through the process outlined in step two above and get to the final allocation for group 4, that might not be the final allocation. We need to check to see if the ledge applies to any counties. If it does, we need to give those counties extra money (their add-back funding) and then re-calculate the withhold factor for all the remaining counties. Then we need to check again to see if the new withhold factor subjects any other counties to the ledge, and if so give them their money and re-calculate the withhold for the remaining counties. This goes on and on until no more counties are subject to the ledge. Then, finally – mercifully – the allocation process is over. Until next year.

Withhold Factor Calculation – Sample

$$\frac{\text{Available Money}}{\text{Combined initial allocation (group 4 counties only)}} = \text{Withhold Factor}$$

$$\frac{\$2{,}000{,}000}{\$4{,}000{,}000} = 50\% \text{ Withhold Factor}$$

Calculation for Individual Counties

Initial Allocation * Withhold Factor = Final Allocation

$150,000 * 50% = $75,000

Note: Starting in FY 2010, any allocation factor using fund balance will be based on the fund balance two years prior to the year of distribution. Additionally, starting in FY 2010, a county will be required to levy at least 90% of its maximum mental health levy in order to be eligible for any allowed growth funding. Any county levying less than 90% in FY 2010 will go in group 1 (above) and receive zero dollars.

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Medicaid

- Prior to FY 2013, counties were responsible for the nonfederal share of Medicaid for MHDS Services.
  - Adult Intellectual Disabilities Waiver
  - Habilitation Services
  - Targeted Case Management
  - Intermediate Care Facilities for individuals with Intellectual disability (ICF/IDs)
  - State Resource Centers
- Counties also maintained their own Intellectual Disabilities Waiver waiting list.
- The Legislature encouraged counties to use services that were Medicaid-eligible and to bill Medicaid to take advantage of the FMAP rate.

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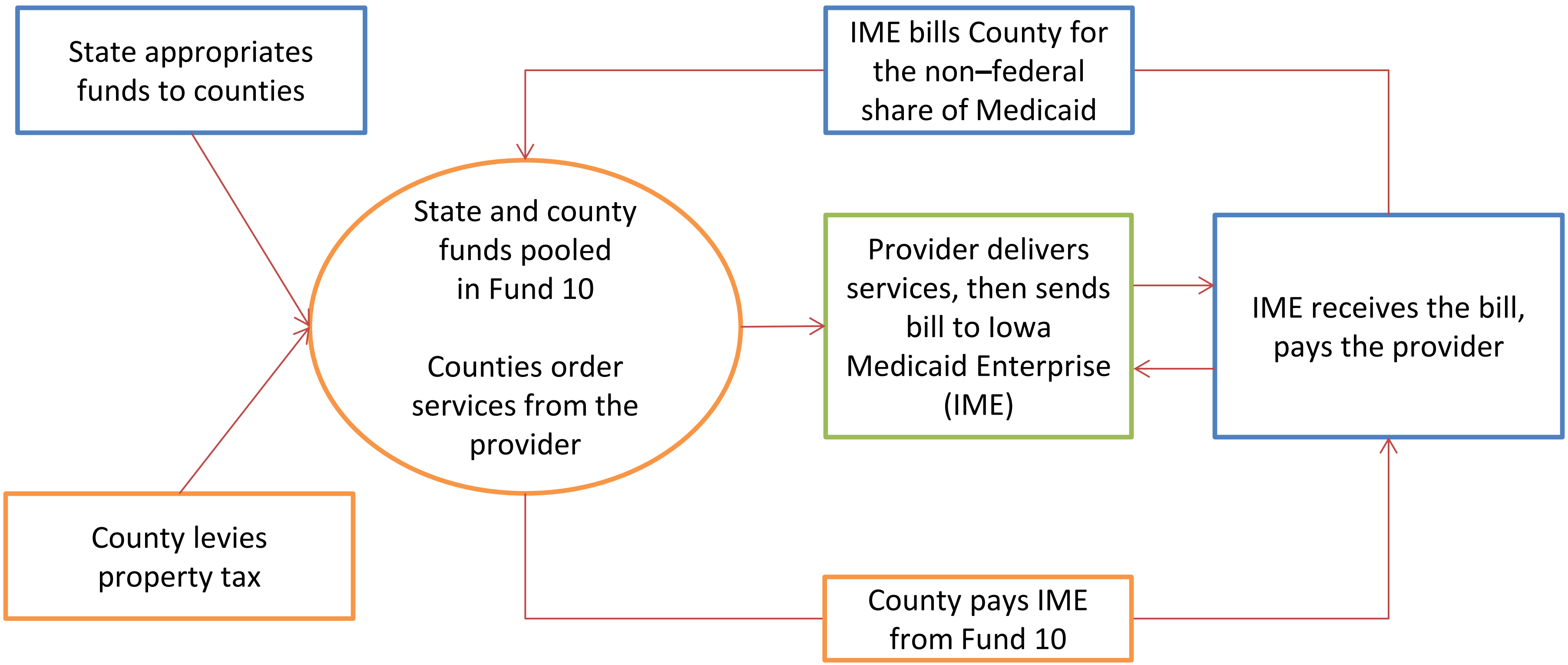
County Funding Relationship with Medicaid Prior to Buyout



<u>County-Funded Medicaid Services</u>
Adult ID Waiver
ICF/IDs
State Resource Centers
Habilitation
Targeted Care Management

Senate File 2315 (FY 2013 Adult Mental Health and Disability Services Redesign)

- Beginning FY 2013, the State assumed responsibility for the nonfederal share of Medicaid previously funded by the counties.
- The Act directed counties to join into regions by June 30, 2015.
- The Act created core and core plus service domains. Listed in Iowa Code Chapter 331.397.
- The Act set eligibility standards at 150.0% of the federal poverty level, with options to provide services above 150.0% with cost sharing requirements.
- The Act created a new per capita levy system, which was to be implemented beginning FY 2014 with a cap of $47.28 per capita.

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FY 2013 Medicaid Buyout Medicaid Services

Adult ID Waiver
$136,509,091

Habilitation
$27,740,797

Targeted Case Management
$5,701,164

Misc. Medicaid Expenditures
$1,479,806

ICF/ID
$53,709,945

State Resource Centers
$15,802,362

Total = $240,943,165

FY 2013 State

Total State Medicaid Cost $240,943,165

+

Other Redesign Activities $138,230

=

$241,081,395 Total State Costs for FY 2013

How is the State going to pay?

Allowed Growth	$	74,697,893
Property Tax Relief		81,199,911
Property Tax Relief Supplemental		7,200,089
Community Services		14,211,100
State Payment Program		11,150,820
Palo Tax		2,409,390
Total Shifted from Counties/Regions	$	190,869,203
Enacted General Fund	$	40,000,000
Supplemental General Fund		10,212,192
Total New Appropriations	$	50,212,192
Grand Total	**$**	**241,081,395**

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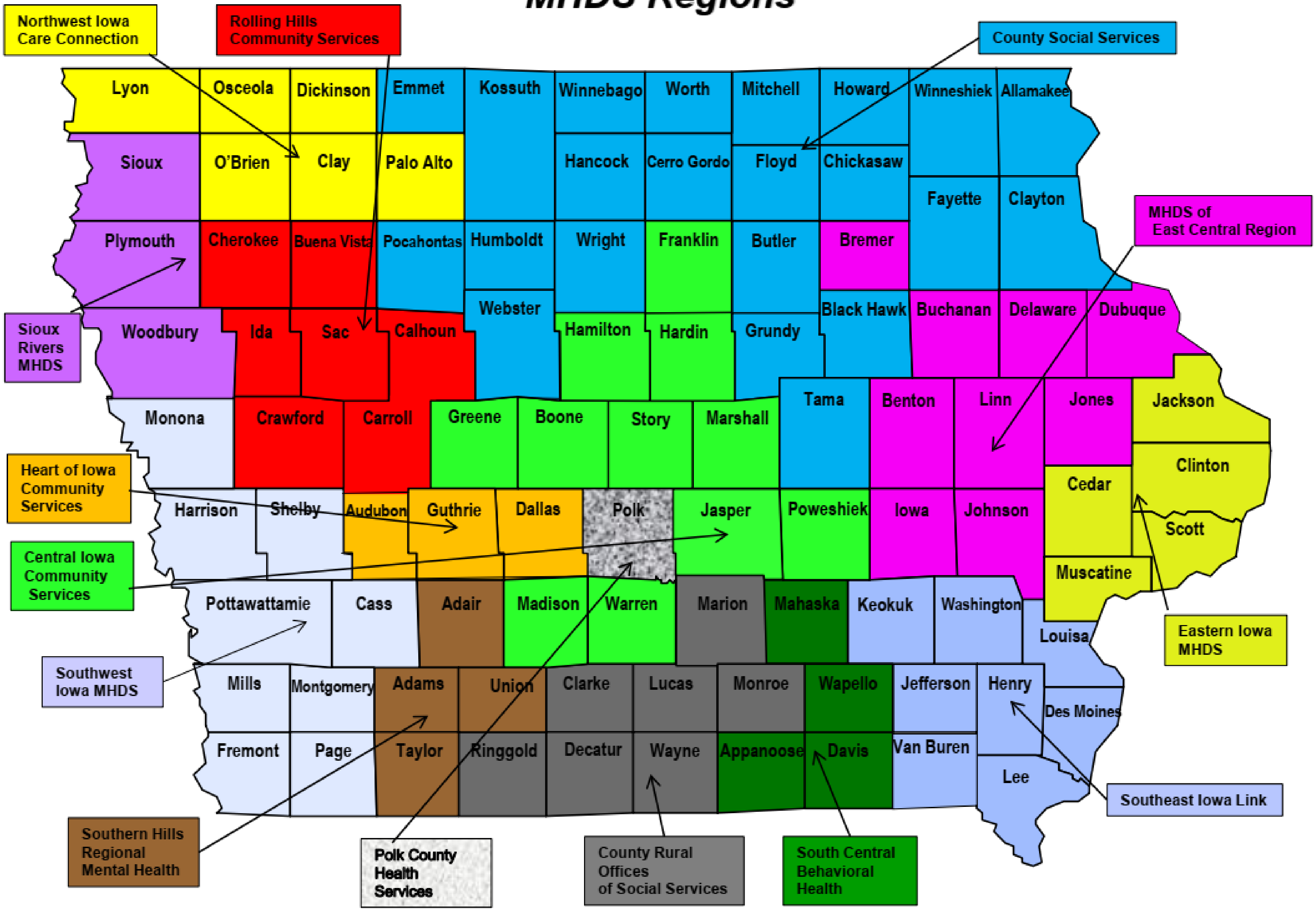
MHDS Regions



July 1, 2018

$47.28 Per Capita Levy Structure

- The levy created in SF 69 was eliminated and replaced with a new formula that calculated funding on a per capita basis.
- The new levy had a cap of $125.8 million, the same dollar amount as the previous levy; however, the new methodology converted the cap to a county per capita dollar amount based on general population, with a dollar target of $47.28 per capita.
- Any county that previously had the ability to levy more than $47.28 per capita was required to reduce its levy to no more than $47.28 per capita.
- An equalization payment of $29.8 million was provided in FY 2014 and $30.6 million in FY 2015.

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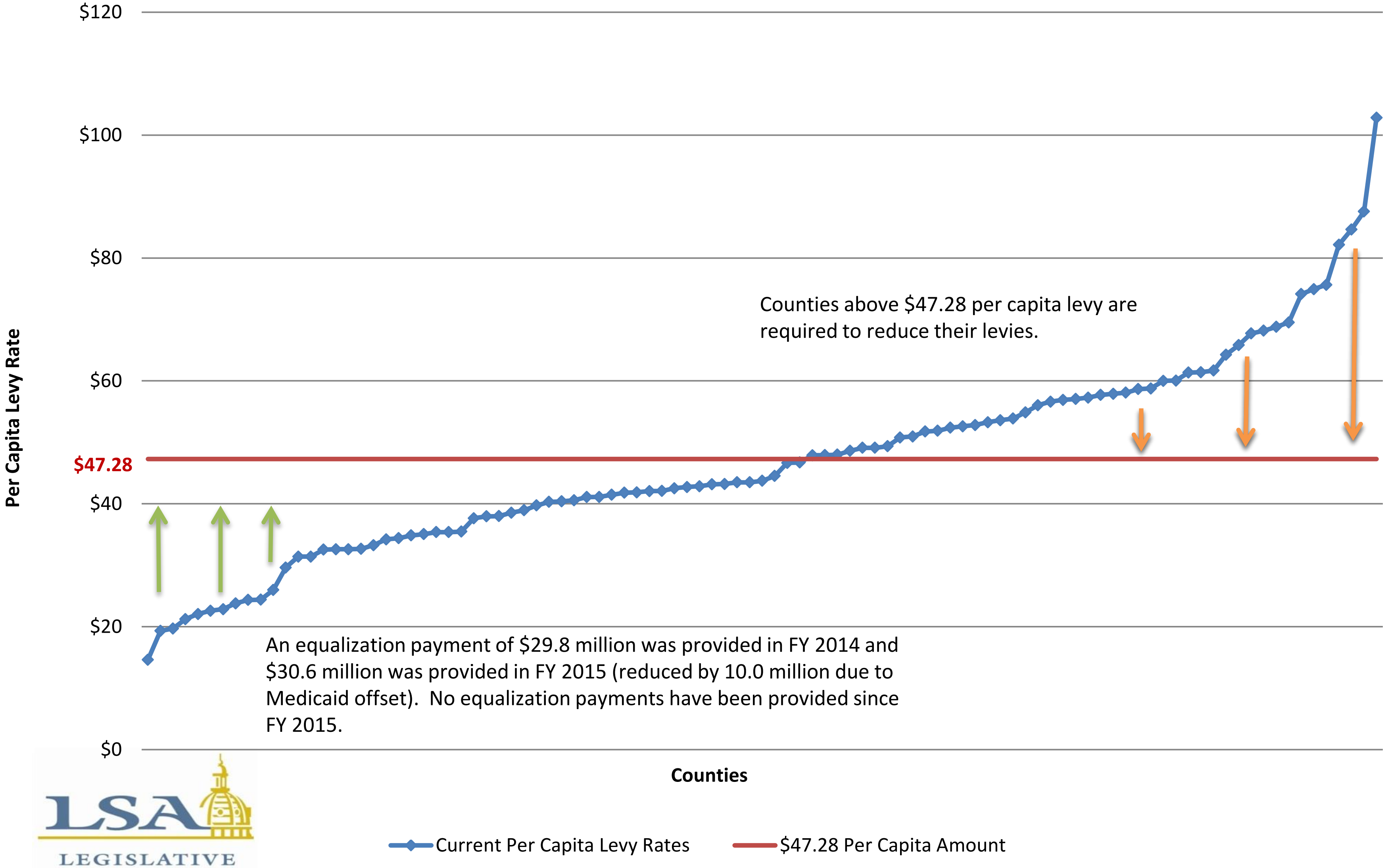
County Per Capita Levy Rates



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Medicaid Expansion

- Senate File 446 (FY 2014 Health and Human Services Appropriations Act) took advantage of the option under the Affordable Care Act (ACA) to expand Medicaid.
- Covered single adults and childless couples up to 133.0% of the federal poverty level.
- Individuals could be classified as Medically Exempt and be placed on full Medicaid to receive more intensive mental health services:
  - Behavioral health intervention services.
  - Intensive psychiatric rehab.
  - Assertive Community Treatment.

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Medicaid Offset

- Counties were required to return 80.0% of the savings related to Medicaid Expansion to the State to help offset the State cost for Medicaid – $16.2 million.
- They did that by returning a portion or all of their equalization payment to the State – $10.0 million.
- If they didn't have enough or any equalization payment then counties were required to reduce their FY 2016 levy rate – $6.2 million.
- The offset was in effect for only on year, FY 2015, with any levy reductions effective in FY 2016.

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Senate File 504 (FY 2018 Mental Health Property Tax Act)

- Revised the county mental health and disability services (MHDS) property tax levy by equalizing the tax levied in each county on a regional basis and setting a maximum per capita amount that can be levied across the entire region.
- After the passage of the Act, there are now only 14 different maximum levy rates among the 99 counties, ranging from $25.84 in the four counties that make up the Heart of Iowa Region to $47.28 for the four counties that make up the South Central Iowa Region.

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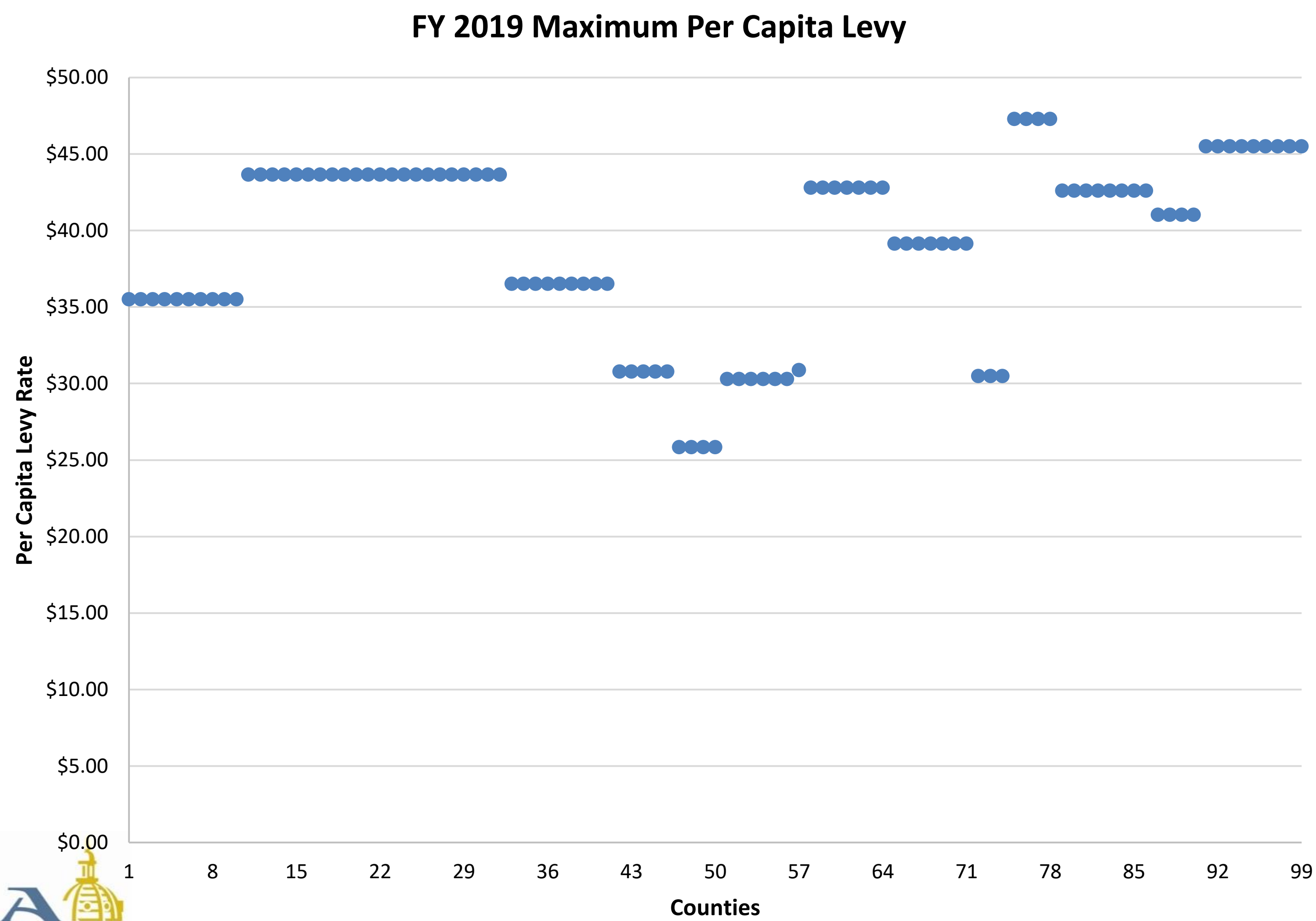
Senate File 504 (FY 2018 Mental Health Property Tax Act)



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Senate File 504 (continued)

- Beginning in FY 2018, counties have three years to spend down fund balances on services required in their regional management plans.
- Statewide fund balances totaled $148.7 million at the end of FY 2016 and $140.6 million at the end of FY 2017.
- Beginning in FY 2022, counties are limited to a fund balance reserved for cash flow of 20.0% of gross expenditures if the region has a population equal to or greater than 100,000, or 25.0% of gross expenditures if the region has a population of fewer than 100,000.
- Counties will be required to reduce their levies by any dollar amount in excess of the cash flow amount.

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Senate File 504 (continued)

- For FY 2018 – FY 2020 Broadlawns Medical Center Board is required to transfer $2.8 million to the Polk County Board of Supervisors to deposit in the county MHDS Fund.
- In addition, Broadlawns Medical Center is required to donate $3.5 million worth of services to Polk County MHDS for FY 2018 – FY 2020.

House File 2456 (FY 2019 Complex Services Needs Act)

	FY 2019			FY 2020		
	Total Federal, State, & Region	General Fund	Region Share	Total Federal, State, & Region	General Fund	Region Share
Access Centers						
Net Medicaid	$ 112,908	$ 45,242	$ 0	$ 3,089,902	$ 1,238,124	$ 0
Net Non-Medicaid	28,227	0	28,227	1,018,776	0	1,018,776
Total	$ 141,134	$ 45,242	$ 28,227	$ 4,108,678	$ 1,238,124	$ 1,018,776
Assertive Community Treatment						
Net Medicaid	$ 494,315	$ 198,072	$ 0	$ 3,907,120	$ 1,565,583	$ 0
Net Non-Medicaid	2,195,145	0	2,195,145	5,841,930	0	5,841,930
Total	$ 2,689,460	$ 198,072	$ 2,195,145	$ 9,749,050	$ 1,565,583	$ 5,841,930
New Crisis Services						
Net Medicaid	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net Non-Medicaid	1,800,000	0	1,800,000	1,800,000	0	1,800,000
Total	$ 1,800,000	$ 0	$ 1,800,000	$ 1,800,000	$ 0	$ 1,800,000
Subacute Services						
Net Medicaid	$ 676,800	$ 271,194	$ 0	$ 2,340,800	$ 937,959	$ 0
Net Non-Medicaid	222,075	0	222,075	768,075	0	768,075
Total	$ 898,875	$ 271,194	$ 222,075	$ 3,108,875	$ 937,959	$ 768,075
Intensive Residential Home Services						
Net Medicaid	$ 766,064	$ 306,962	$ 0	$ 5,510,835	$ 2,208,192	$ 0
Net Non-Medicaid	79,375	0	79,375	571,000	0	571,000
Total	$ 845,439	$ 306,962	$ 79,375	$ 6,081,835	$ 2,208,192	$ 571,000
All Recommendations						
Net Medicaid	$ 2,050,087	$ 821,470	$ 0	$ 14,848,658	$ 5,949,857	$ 0
Net Non-Medicaid	4,324,822	0	4,324,822	9,999,781	0	9,999,781
DIA Inspection Costs	54,545	54,545	0	39,069	39,069	0
Total	**$ 6,429,454**	**$ 876,015**	**$ 4,324,822**	**$ 24,887,507**	**$ 5,988,926**	**$ 9,999,781**

Note: Totals may not sum due to rounding.

Outstanding Issues

- A stable long-term funding source for regions.
- Equity between the regions.
- After county/regional fund balances are reduced to 20.0% or 25.0%, a number of regions will start hitting their funding caps, especially with the new core services listed in the previous slide.
- Regions with high population growth rates don't have levying authority to keep up with service demands.
- Regions with low populations don't have the economies of scale to fund services within their levy cap.
- Polk County's levy is approximately $7.0 million short of expenditures without Broadlawns support.

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Funding Options That Have Been Discussed Through The Years…

- Allow all regions to levy a standard per capita dollar amount and allow for future growth.
- State buys out the entire MHDS system.
- Fund the MHDS system growth with General Fund appropriations.
- Raise sales taxes and dedicate a portion to MHDS. Every one-eight of a penny increase would raise approximately $66.1 million.

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Questions?

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