



# Iowa Department of Human Services

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Director

## Iowa Mental Health and Disability Services Commission

July 19, 2019

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Jerry Foxhoven, Director  
Iowa Department of Human Services  
Hoover State Office Building  
1305 E. Walnut Street  
Des Moines, IA 50319

Dear Director Foxhoven,

This letter is to communicate the recommendations of the MHDS Commission for addressing the increase in MHDS service costs in the DHS funding submission for State Fiscal Year 2020.

As you know, the Mental Health and Disability Services (MHDS) Commission has a statutory duty to advise the Administrator, the Council on Human Services, the Governor, and the General Assembly on budgets and appropriations concerning disability services. (Iowa Code 225C.6) In addition, when Senate File 2315 became law in 2012, it created the mental health and disability regional services fund and afforded the MHDS Commission an opportunity to provide input into your annual budget submission to “determine and include in the estimate the amount which in order to address the increase in the costs of providing services should be appropriated to the fund for the succeeding fiscal year.”

The Commission values this opportunity for timely consultation regarding this aspect of the Department’s budget estimate and has convened a committee to review available sources of information and formulate our four-part recommendation:

- First, we recommend increasing the previous year’s budget by 0.5% to account for overall population growth and the resulting increase in service utilization. The recommendation corresponds to the increase in Iowa’s population according to the most recent census data.

- Second, we recommend an additional increase of 1.8% to account for year-over-year inflation. The Substance Abuse and Mental Health

Services Administration (SAMHSA) uses the GDP price index as calculated by the Bureau of Economic Analysis (BEA) in its health expenditure inflation adjustments. Our recommended increase corresponds to the same GDP price index.

- Third, in our July 2017 cost increase letter, the commission noted the additional \$2 million of general funds that was allocated to the reduction of the HCBS Waiting Lists in September of 2016 (FY17).

The passage of a year provides a clearer and more complete picture of the impact of that \$2 million investment. The total wait list for the 12 months prior to that \$2 million allocation averaged 10,155. The average wait list for the 12 months following that allocation fell to 7,850; a reduction of 2,305 or 23%. The additional \$2 million in FY17 was an extremely productive use of resources and we commend those responsible for that decision.

Continued progress toward the goal of eliminating the HCBS wait lists still concerns the Commission. The benefits of that FY17 investment, while still remarkably robust 22 months after the fact, are showing signs of deterioration. In the 10 months following the one year anniversary of the allocation (Sept 2017–June 2018), the average wait list has crept back up to 8,264. While still an impressive 19% reduction from the pre-allocation wait list, the numbers are moving in the wrong direction.

We recommend allocating that additional \$2 million of general funds for the reduction of HCBS wait lists in FY20 and each succeeding year until the wait lists are eliminated. This will ensure that individuals who are at risk of institutionalization have timely access to home and community-based options.

- Fourth, we cannot overemphasize the concerns at the regional level regarding the new complex needs legislation, HF2456. The legislation was passed before the regions had even finished identifying the complex needs population and instead relied on an estimate of 200-250 individuals statewide. There is not currently enough data to accurately estimate usage patterns.

There is, most notably, no funding mechanism. The regions don't know the amount of Medicaid funding that will be provided. Any discussion of "braided funding" is on hold without that information. We do know that rural and urban regions will have different cost structures that will reflect Medicaid reimbursements based on the number of providers. We don't know how or if that will be addressed.

Early regional estimates of the cost to create these services range from \$1.5 – \$2 million per region. Any assumption regions can pay for this with fund balance is not realistic. The financial condition of individual regions varies wildly from region to region. Add to that the fact that financially healthy regions and counties are currently spending down their fund balances and/or zeroing out their levies to comply with SF504.

SF504 imposed strict fund balance limits and enforces those limits with severe penalties. Most regions are required to have an ending balance of no more than 20%. Aside from the

urgent elimination of fund balances, another consequence of the legislation is that regions are allowed only 20% of their budget to pay 25% of their expenses (expenses incurred during 3 months between the July 1<sup>st</sup> start of the fiscal year until receipt of property taxes in early October).

The combination of SF504 and HF2456 have created a financial model incapable of supporting the Iowa mental health system.

HF2456 mandated that regions create and implement the new complex needs services. The regions must also continue to provide services as currently outlined in their management plans. Regions are funded by county property taxes. In addition to fund balance limits, SF504 set maximum per capita amounts that can be levied by individual counties on a regional basis. The maximum property tax levy varies from region to region and ranges from \$25.84 to \$47.28 per capita.

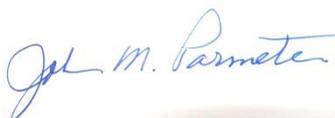
The most basic rule of budgeting is to match expenses with revenues. Unknown expenses can't be matched with unknown revenues. The commission has no way to quantify our concerns, but those concerns are serious.

The commission notes that a legislative interim committee on sustainable MHDS region funding will convene later this year. We recommend that the interim committee seek input and representation from the regional CEOs. We would also like to remind the interim committee and the legislature of the budget timeline. Individual county budgets have to be certified in March, which means those budgets have to be published in late February. Any legislative changes the state desires to be incorporated in those budgets must be finalized extremely early in the legislative session and there must be communication with the regions about the changes required.

The members of the MHDS Commission look forward to continuing to work with you and the Department to ensure that our State's recently overhauled regional mental health and disability services system has adequate resources and funding to effectively support and respond to the needs of Iowans.

Thank you for your consideration.

With regards,

A handwritten signature in blue ink that reads "John M. Parmeter". The signature is written in a cursive style and is positioned above a thin, light-colored horizontal line.

John Parmeter, Chair