

MHDS Regional Operational Guidance 2025-01

February 26, 2025

TO: Mental Health and Disability Services (MHDS) Regions
FROM: Iowa Department of Health and Human Services (HHS)
Division of Behavioral Health and Disability Services
SUBJECT: MHDS Region Close Out Plans
EFFECTIVE: Immediately

Background

Pursuant to HF2673, Iowa Code chapter 225C will be rescinded as of July 1, 2025. New code will be effective July 1, 2025, in Iowa Code Chapter 225A. MHDS Regions will not be responsible for the ongoing service management activities of mental health and disability services after July 1, 2025. This guidance is intended to assist regions to close out operations and ensure all close out activities are clearly understood and accounted for. Our shared goal is to ensure fulsome planning, operational clarity, and seamless transitions for ongoing system functions.

Regional Entities

Although MHDS Regions will not be responsible for ongoing service management activities after July 1, 2025, their status as 28E organizations remains intact until the entity is legally dissolved. The counties forming the 28E entities and/or MHDS regional administrators will make decisions on the appropriate timeframes for dissolution and will document those decisions into their close out plans. MHDS Regions and their member counties are responsible for planning close out activities which must include forecasting for assets, asset liquidation, liabilities, and obligations. Pursuant to HF2673, Section 163, counties retain ongoing responsibilities whether the 28E entities are dissolved as of July 1, 2025, or are anticipated to continue.

Post-Transition Obligations

MHDS Regions are asked to work with their member counties to identify and document debts, claims, or other liabilities attributable to the MHDS Region that will require payment beyond the transition period concluding June 30, 2025. These obligations may include, but are not limited to:

- Payments to providers for mental health and disability services rendered prior to July 1, 2025

- Institutional, hospital, and commitment services
- Financial management fees (e.g. audit firms, regional fiscal agent)
- Details of all projected employee obligations
- Cost of staffing and other expenses required to close out MHDS Regional operations

Financial obligations means, for financial reports prepared on a cash basis, financial obligations incurred by the region that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are financial obligations incurred by the region for which an expenditure has not been recorded.

Close Out Plans

Regions must submit close out plans to Iowa HHS by **April 1, 2025**. The close out plan must project funds necessary to close out MHDS regional operations including but not limited to ongoing staffing or purchased administrative needs and post-transition obligations noted above. Close out plans need to be inclusive of both obligations incurred prior to 7/1/25, and projected expenses required for the completion of close out period activities. Do not include continuation of direct MHDS Regional services (such as service coordination) beyond June 30, 2025, in the close out plan.

The plan must include timelines for all activities identified to close out regional operations. The close out period is not to exceed 6 months, ending on or before 12/31/2025.

Close out plans must include a claims run out period in which the region will continue to pay claims for services rendered through June 30, 2025; invoices from vendors; and any unpaid debts. Please include current requirements for timely filing, any changes planned in timely filing requirements, projected timeline, volume, and budget. Include any ongoing staffing needs associated with payment close out.

For claims for inpatient hospital stays that began prior to July 1, 2025, but end after that date, the region will be responsible to pay for the full stay.

During the close out period, claims for services rendered at the state Mental Health Institutes (MHIs) or the State Resource Centers prior to July 1, 2025, remain the responsibility of the region or the counties.

Payments related to mental health commitments and mental health advocate services rendered prior to July 1, 2025, will be paid by the region during the claims runout period. Beginning on July 1, 2025, Iowa HHS will pay for treatment services, such as inpatient hospitalization, for eligible individuals through its' claims payment system. Invoices and supporting documentation for other commitment related expenses such as

transportation and attorney fees will be submitted to the BH-ASO for reimbursement. Mental health advocates continue to be appointed by the county board of supervisors and supervisors are responsible for prescribing reasonable compensation. Advocates also remain county employees under Iowa Code 229.19. The county may seek reimbursement for the mental health advocate by submitting an invoice and supporting documentation to the BH-ASO.

The close out plan will need to include a communications plan for providers, vendors, current MHDS Regional clients, local officials, and other system stakeholders. This should specify any changes in requirements for timely filing of claims and include a timeline for other communication and an outline of the content.

Liquidation of Regional Assets

The close out plan must address how the region intends to liquidate tangible assets (e.g., vehicles, buildings, computers, office equipment, cellular phones, furniture). The plan shall outline how those funds will be used to offset any projected expenses related to ongoing need and obligations through the close out period. Expected proceeds from asset sales should be denoted on the accompanying budget as revenues.

If equipment is to be retained in support of completing close out activities identified in the close out plan, the plan shall detail the need, duration, and function of said equipment or property. Planning for any transfers or liquidation of property not otherwise identified as necessary for close out must be included in the close out plan.

During the transition period concluding June 30, 2025, regions are not to purchase new tangible, long-term assets or equipment without prior approval from HHS or approved amendment to the region's SFY2025 annual services and budget plan as outlined in [ROG 2024-01](#).

If the proceeds from liquidated assets are not expended as a function of settling regional obligations, they are to be considered unencumbered and unobligated and will be included in the final reconciliation of funds. Close out plans should include details regarding the return of unencumbered, unobligated, or unexpended funds, including those from asset liquidation.

Final Financial Reconciliation

After the conclusion of the claims run out period, the region shall complete a final reconciliation of funds using a reporting template to be supplied by Iowa HHS. This will include all revenues and expenditures for FY25, as well as for the claims run out period. The close out period should be sufficient in duration to allow for both obligations incurred prior to 7/1/25, and expenses associated with the completion of close out

period to have liquidated. The final reconciliation form is to be submitted to Iowa HHS no later than 15 business days following the conclusion of the close out period. Any excess funds are also to be returned to Iowa HHS for deposit into the behavioral health fund within 15 business days following the conclusion of the close out period.

Final Audits and Record Retention

In accordance with Chapter 11.6, 28E organizations having gross receipts more than \$100,000 are required to obtain an audit. All MHDS Regions currently in operation are required to have an audit for fiscal year 2025. Efforts should be made by MHDS regions to have external auditors perform internal control testing/observation and risk assessments prior to June 30, 2025.

The responsibility for maintenance of and access to fiscal year 2025 and prior records to allow for audits to be completed is the responsibility of the 28E organizations and MHDS Regional administrators. Payment for SFY25 auditor services, plans for how records will be retained, and how future audit inquiries will be directed shall be accounted for in the close out plan.

Should the administrative entity legally dissolve, the member counties shall retain the responsibility to maintain records needed for the completion of external audit[s]. Member counties will be responsible for fees associated with completion of the audit in the event the 28E is terminated.