

Iowa Mental Health and Disability Services Commission

July 22, 2022

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

Dear Director Garcia,

This letter is to communicate the recommendations of the MHDS Commission for addressing the increase in MHDS service costs in the Department of Health and Human Services (DHHS) funding submission for State Fiscal Year 2024.

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 recommendation:

1. We recommend increasing the previous year’s budget by 0.2% to account for overall population growth, and the resulting increase in service utilization. According to the U.S. Census Report for 2021, Iowa’s population was 3,193,079 on July 1, 2021 and per the U.S. Census Report for 2020, Iowa’s population was 3,190,369 on April 1, 2020, for an increase in population of 2,710. We believe this recommendation increase accommodates the state’s increase in population.
2. We recommend an additional increase of 3.23% to account for year-over-year inflation. According to the US Labor Department Bureau of Labor Statistics (BLS) the average cost of healthcare in the United States rose 3.23% in the 12 months ending April 30, 2022. While this indicates a lower inflation rate for healthcare comparative to the overall inflation rate at the time of this letter of approximately 9%, the BLS also notes the concern that healthcare inflation could experience a significant increase in the next year due to the ongoing workforce shortage.
3. We recommend addressing Iowa’s MHDS workforce shortage with a multi-pronged approach. The most urgent issue facing Iowa’s mental health and disability system is attracting and retaining a provider workforce, particularly for Medicaid providers. This is a statewide

problem but is particularly severe in rural areas. The current workforce shortage affects every position from psychiatrists to direct care. This workforce shortage has a significant impact on the state's ability to provide mandated services implemented with the passage of the Complex Needs and Children's Behavioral Health System legislation. The recommendations are:

- We recommend a state evaluation of the sufficiency of all provider fee schedules, and moving forward, that the state implements annual adjustments to the fee schedule based on inflation rates. We also recommend that specific fee schedules be re-evaluated as necessary. Current Medicaid fee schedules will not support levels of compensation necessary for workforce expansion, especially in the current competitive work environment. Shortages are noted in psychiatry, nursing, and licensed mental health professionals, along with many frontline support positions within behavioral health and disability service agencies. Many provider or agency fee schedules have not been adjusted for inflation for 5 to 10 years or more.
- We recommend that the maximum allowable fund balance for Iowa's MHDS Regions be increased to 18% to provide coverage of a minimum of 45 days of operational expenses as this is best practice for business operations. As the state moves to a different funding mechanism for regional mental health services, we have concerns with the decision to only allow a 5% fund balance. A 5% fund balance does not sustain one month's worth of operational capital as one-month expenditures equal 8.3%
- We encourage DHHS to support fully funding the standing state appropriations for the regional mental health services each year, and to " earmark " the full \$40 per capita, as identified in Senate File 619, for the regional MHDS system.
- We encourage DHHS to evaluate potential costs related to the sustainability of a Certified Community Behavioral Health Clinic (CCBHC) model for the State of Iowa should the department desire to move further in that direction in order to improve outcomes and reduce costs to the system.

We want to offer a sincere thank you to Governor Reynolds for her ongoing support and assistance in securing funding resources for provision of behavioral health services in Iowa. Many providers would have found it very difficult to continue with the provision of services without this important source of financial support. We are grateful to note that there is a 1.5% increase for Medicaid rates built into the system beginning 2026. More money being put into the system helps to address the ongoing concerns with sustainability of programming across the state. We would also like to offer gratitude to the Governor for her support of changes to Medicaid recoupment passed during this past legislative session.

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

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Russell Wood", with a stylized flourish extending to the right.

Russell Wood, Chair