

FINAL REPORT

**MENTAL ILLNESS FUNDING FORMULA
STUDY COMMITTEE**

**Presented to the Legislative Council
and the Iowa General Assembly
January 1991**

Prepared by the Legislative Service Bureau

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AUTHORIZATION AND APPOINTMENT

The Mental Illness Funding Formula Study Committee was established during the 1990 interim by the Legislative Council. The Study Committee was charged to study the delivery of services for mental health, mental retardation, and developmental disabilities in communities and community settings and recommend to the General Assembly a funding formula for state participation in providing appropriate services.

The members of the Study Committee were:
Senator John Peterson, Co-chairperson
Representative John Groninga, Co-chairperson
Senator Emil Husak
Senator Wilmer Rensink
Senator Al Sturgeon
Senator Dale Tieden
Representative Janet Adams
Representative Pat Harper
Representative Joan Hester
Representative Gregory Spenner

BACKGROUND INFORMATION

Chapter 1250, 1990 Iowa Acts, enacted as H.F. 2554, contains a request to establish this study committee. The Act includes a variety of financial measures relating to property taxes. One provision requires that unless a funding formula is enacted for state participation in the funding of mental health, mental retardation, and developmental disabilities, county expenditures for this purpose are frozen. The formula must take effect in the fiscal year beginning July 1, 1992, or the freeze will begin in that year.

COMMITTEE PROCEEDINGS

The Study Committee was authorized for three meeting days which were held on August 2, September 19, and November 21, 1990. The proceedings of these meetings are as follows:

August 2, 1990. Meeting

During the August 2 meeting, testimony was provided by representatives of a variety of organizations with an interest in the Study Committee's charge.

Mr. William Gorman, Administrator, Division of Mental Health, Mental Retardation, and Developmental Disabilities (MH/MR/DD), Department of Human Services, was joined by Mr. Larry Allen, Division staff member, in presenting a broad overview of the Division's responsibilities and existing mechanisms for funding mental health services. The historical development of services and funding sources was described. The description was used as the basis for stressing the importance of developing community-based services in place of the current emphasis on institutional care. Mr. Allen distributed and discussed financial information. In discussion, it was clarified that the majority of funding for mental health services provided to children is provided by the state so the issue of a funding formula centers upon the funding of services provided to adults.

Mr. Jon Neiderbach, Legislative Fiscal Bureau, and Ms. Chris Van Meter, Department of Management, discussed financial information previously mailed to the members. Ms. Van Meter noted that H.F. 2554 required revision of the chart of accounts used by counties in order to provide more specific mental health information, and that the revision should be implemented for reports concerning the fiscal year ending June 1991. Ms. Van Meter agreed to provide additional information at future meetings.

Ms. Wendy Burgess, Iowa State Association of Counties, included in her presentation concerns about state-imposed mental health service mandates without provision of funding; rapidly escalating service costs, especially for intermediate care facilities for the mentally retarded (ICFMRs); and cost increases related to state-imposed licensing requirements and inconsistencies in state decision making. She recommended development of a community-based comprehensive system instead of one which is developed and mandated by the state and provided extensive written materials.

Ms. Judy Dierenfeld, Executive Director, Iowa Community Mental Health Centers Association, was joined by Association members Mr. Peter Zerenbergen, Executive Director, Abbe Center for Community Mental Health, Cedar Rapids and Ms. Barbara Lips, Board Member, Northeast Iowa Mental Health Center, Fayette. Their discussion included proposals for system reform to address fragmentation and underfunding and a five-year phase-in of additional state funding to increase overall funding of the system, problems with insurance coverage of mental health coverage, and concern for the lack of psychiatrists, particularly in rural areas.

Mr. Jerry Downin, Iowa Farm Bureau Federation, discussed the impact of mental health services in increasing local property tax amounts. He noted the state commitment, contained in H.F. 2554, of \$10,500,000 to assist counties with these costs in the fiscal year ending June 30, 1992. He stated the Federation's position advocating increased state participation in the development of and funding for mental health services.

Ms. Margaret Stout, Alliance for the Mentally Ill (AMI) of Iowa, was joined by Alliance member June Judge, in advocating increased community-based services for persons with mental illness. It was suggested that the lack of a legal mandate to provide services to the mentally ill as exists for persons with mental retardation has negatively affected the provision of these services. Ms. Judge provided background information and related personal experiences involving her two sons who have schizophrenia. Her discussion of the positive effects of the drug clozapine provoked discussion of its potential financial impact upon the state/federal Medicaid program.

September 19, 1990, Meeting

During the September 19 meeting, the Study Committee heard the following presentations:

A panel consisting of the following county representatives provided testimony: Ms. Rachel Fulton, Black Hawk County Supervisor; Ms. Patty Erickson-Putmann, Woodbury County Social Services Coordinator and Grants Manager; Mr. Bob Ermer, Cerro Gordo County Supervisor; Ms. Mary Dubert, Director of Scott County Community Services; and Ms. Wendy Burgess, Iowa State Association of Counties. The panel members provided a significant amount of information including experiences with mental health services and funding in individual counties, county-state relations, problems with underfunding and lack of flexibility in implementing Social Services Block Grant (SSBG) funds, and concerns with cost increases in the ICFMR service category. Ms. Burgess also provided members with various written materials regarding court reorganization, mental health systems in Ohio and Wisconsin, and various recommendations to increase the level of federal funding. Panel members discussed a variety of concerns with Study Committee members.

Ms. Chris Van Meter, Department of Management, again discussed the proposed changes in the chart of accounts forms used for financial reporting by counties. She reviewed time lines and content concerns relating to the proposed changes.

Staff members of the Legislative Fiscal Bureau and Legislative Service Bureau distributed and discussed financial reports prepared at the request of the Study Committee.

Mr. Ed O'Leary made a presentation on behalf of the following organizations: the Association of Retarded Citizens/Iowa (ARC/Iowa), the Iowa Association of Rehabilitation and Residential Facilities (IARRF), Iowa Protection and Advocacy, Inc., and the Iowa Governor's Planning Council for Developmental Disabilities. Mr. O'Leary emphasized that property taxes should not be the primary funding source for services to persons with mental retardation, developmental disabilities, or chronic mental illness; that Iowa is seen as deficient in terms of its current service delivery; and that there is a need for a long-term strategic plan to meet the needs. He recommended that attention be given to increasing equity in the funding and effectiveness of services provided in the state. Mr. O'Leary was joined in discussion with the members by Mr. Victor Elias of IARRF. Among the suggestions discussed was increasing the flexibility of current funding streams to reimburse community-based services such as community-supported apartment living arrangements (CSALAs).

November 21, 1990, Meeting

At the November 21 meeting, the Study Committee reviewed and discussed several documents providing financial information and outlining funding formula options prepared by staff and approved its final recommendations. The Study Committee considered proposals for various funding formulas for increasing state involvement in funding of mental health services and for taxes to provide a revenue source for the involvement.

RECOMMENDATIONS

The Study Committee approved the following recommendations during its meeting on November 21, 1990:

1. That a request be made to the Legislative Council to either reappoint the same members or to establish another committee to continue oversight of the issues surrounding mental health funding and implementation of state funding.
2. That the state implement a funding formula that will result, within a ten-year period, in the state assuming 80 percent of the nonfederal costs to provide mental health¹ services to adult Iowans.

The formula would allot state funds to counties on a proportional basis. Fifty percent would be allotted on the basis of a county's percentage of the state population and 50 percent on the basis of the county's percentage of the state's

¹ "Mental health" means services to persons with mental retardation, developmental disabilities, or mental illness.

population of persons with mental retardation, developmental disabilities, and mental illness.

A county's allotment would be made available in a proportion of 50 percent for general mental health costs and 50 percent for services on the following list:

- a. Non-Medicaid Case Management
- b. Supported Employment
- c. Community-based Housing (i.e., group homes with five beds or less)
- d. Independent Living Arrangements (i.e., apartments or homes)
- e. Individual Support Services to Persons in Community-based Housing and Independent Living Arrangements (i.e., food, medical support, clothing, counseling, etc.)
- f. Day Programming for Persons in Community and Independent Living

3. That the Study Committee meet during the 1991 Legislative Session to consider a bill draft of the provisions in item 2 before giving its final approval. (During the week of January 28, 1991, the Study Committee approved a bill draft (LSB 1615IC) covering the provisions of item two. The bill draft was sent to the Senate Majority Leader and the Speaker of the House for referral to a committee of the General Assembly).

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