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Memorandum

To: Iowa Academy of Family Physicians
From: David Adelman, Matt Hinch, Sara Allen & Frank Chiodo - Cornerstone Government Affairs
Date: May 2019
Re: 2019 Legislative Session

This memorandum will highlight key legislative victories and changes from the 2019 Iowa legislative session.

Introduction

The session opened with Governor Reynolds delivering her second State of the State address. In this speech, she highlighted her legislative agenda for the 2019 legislative session which included: Future Ready Iowa, Empower Rural Iowa, children's mental health reform, over-the-counter contraceptive access, restoring felon voting rights, and improving Medicaid managed care. Although not all of these priorities were addressed, many were sent to Governor Reynolds desk for her signature.

Unlike last year and the year prior, the House and Senate did not have to deappropriate money from the current fiscal year. Although they did not have to deappropriate any funding, it was apparent that both the House and Senate wanted to take a more cautious budgeting approach, coming in at approximately 97% (Senate) and 98% (House) of ongoing revenue, even though they are constitutionally allowed to spend 99% of ongoing revenue. This led to an introduction of differing budget targets mid-session, with the Senate coming in approximately \$50M less than the House's overall target. Once targets were reached, budgets were agreed to fairly rapidly.

Throughout the course of the session there was one resignation in the Senate when Senator Jeff Danielson (D – Cedar Falls) resigned in February to take a job with the Wind Energy Association. The Governor set a special election date and a race between former Representative Walt Rogers, a republican who lost his House seat in the 2018 November election, and Democratic candidate Eric Giddens ensued. Giddens, a school board member, ultimately defeated Rogers (R) in the special election. Giddens received 57 percent of the vote, while Rogers received 42 percent of the vote. Additionally, Representative Andy McKean (D – Anamosa) switched political parties when he announced he was leaving the Republican party to join the Democrats during the last week of session. McKean stated his reason for switching parties was due to President Trump.

Throughout the 15 week legislative session, several republican priority bills cleared both chambers and were signed by the Governor. These included property tax oversight, Empower Rural Iowa, Children's Mental Health and some funding for Future Ready Iowa.

State of Iowa Budget

The legislature began the budgeting process earlier than normal this year, with some budgets being released the week of the second funnel. Although budget bills were introduced, budget targets took weeks to be agreed to by the House and Senate. The agreed upon FY20 budget plan spends \$7.643 billion, accounting for 97.39% of ongoing revenue. The joint budget agreement is 0.2% higher than the adjusted FY19 budget, fills all reserve accounts, and leaves an ending balance of nearly \$300 million. Individual budget targets were as follows:

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Administration & Regulation	56,541,445
Ag & Natural Resources	42,682,522
Economic Development	41,903,345
Education	954,733,479
Health & Human Services	1,937,186,761
Justice Systems	768,017,983
State Aid to Schools & other standing appropriations	3,842,588,325
GENERAL FUND TOTAL	7,643,653,860

Specific budget appropriations of interest include:

- Increased Reimbursement for critical access hospitals - \$1.5M. This funding will be applied via a critical access hospital cost factor that will be approved the CMS via a state plan amendment.
- Increased reimbursement for HCBS waiver providers for supported community living and day hab services. \$1M.
- Elimination of the children's MH HCBS waiting list - \$1.2M
- Rural Psychiatric Residencies - \$400k. This was not earmarked for the U of IA, as was recommended by the Governor. This will go through an RFP process and winning bidder will receive the funding.
- Assertive Community Treatment teams - \$211k
- Increase Rx Drug Donation Repository Program – increase of \$58k
- Rural Loan Repayment Program - \$1.425M (increase of \$300,000)
- Medical Residency Program – status quo funding that continues the program and appropriation
- Psychiatric Training - \$150k. Intended to be used to include psychiatric training in medical school education.
- \$150.3 million supplemental appropriation for the FY 2019 budget.
- \$338,000 for a children's behavioral health hotline which includes a transfer of \$32,000 from the DHS, and directs the DPH, in collaboration with the DHS, to expand the Your Life Iowa information referral service to include information on the Iowa Children's Behavioral Health System.

The following policy language was included in the HHS budget bill:

- Liquidated damages. There was language that requires the DHS to revised Medicaid managed care contracts to include liquidated damages provisions. Specifically, it requires the assessment of liquidated damages for prior authorization and claims payment system issues that were reported by the MCO to the Department but reoccurred within 60 days of the reported correction; as well as assessment of liquidated damages for the failure of an MCO to complete provider credentialing or to accurately load provider rosters as required in the contract.

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- Health Data Collection and Use. Language was included that requires the DPH to require an RFP for public health data collection and use. This language takes away the current memorandum of understanding with the Iowa Hospital Association and the state. The data will still be used but will go through an RFP process.
- Medicaid Coverage for Alien Pregnant Women. Requires DHS to apply for a CMS waiver to allow pregnant women who are lawfully admitted into the US to have Medicaid coverage, without having to wait for five years.
- Public Health Overview over Certain Boards. The Board of Medicine, Board of Nursing, Board of Pharmacy and Dental Board's Executive Directors will be under the purview of the Director of Public Health. The Director will hire all of these positions.
- Prior Authorization language. Requires DHS to review expanding the medical assistance management information system to integrate a single, statewide system to serve as a central portal for submission of prior authorizations for Medicaid. The portal won't be used as the tool to make or review final determination of PA requests but would serve as the conduit for providers to make the PA request. The report is due back to the legislature by March 31, 2020.
- Language directing the Department of Human Services to apply for an intergovernmental transfer arrangement between nursing homes and hospitals. This language has been attempted in the past and CMS has rejected the waiver.
- Managed Care Contract Notification. Requires the DHS to notify the Chairpersons and Ranking Members of the Health and Human Services Appropriations Subcommittee, the LSA, and caucus staff within 30 days of execution or amendment of a managed care organization (MCO) contract, and within 30 days of determining the incentive payment withhold amount.
- Hospital Health Care Access Assessment: Extends the repeal of the Hospital Health Care Access Assessment Program until the end of FY 2022.
- MAAC: Eliminates the Executive Committee of the MAAC Council and limits the voting membership of the Council to ten members.
- Elimination of state compensation or expenses for Certain Boards: Eliminates the payment of compensation or expenses for public members of the following: Plumbing and Mechanical Systems Board. Child Death Review Team. Health Facilities Council. Emergency Management Services Advisory Council. Early Childhood Iowa State Board.

Bills of Interest

Children's Mental Health Bill

One of the Governor's priority made its way to her desk for signature. [HF 690](#) was a bill that set the parameters for a children's mental health system that would exist in conjunction with the regional adult mental health system. The bill sets the core services that must be provided by the regions as well as establishing who is eligible for coverage. The core services include: crisis residential, mobile crisis response, prescribing and medication management, therapy, assessment for eligibility, and inpatient psychiatric hospital treatment. A fiscal analysis



can be found [here](#). The bill encompasses many of the recommendations established by the Children’s System State Board.

Certificate of Need Changes

Two certificate of need bills were filed this year and dealt with the elimination of the certificate of need process in Iowa. [SF 18](#) died in the Senate after a subcommittee vetted the bill. The bill was introduced by Senator Brad Zaun (R – Urbandale) and eliminated the CON process in Iowa. [HF 162](#) was introduced by Freshman Representative Jeff Shipley (R – Fairfield) and eliminated CON in Iowa. The bill was never given a subcommittee assignment and died in the Human Resources committee.

Medical Residency Preference bill

[HF 532](#) was a bill that deals with medical residency dollars in the state of Iowa. The bill initially would have required that medical residencies in Iowa funded by the State would have had to give priority to Iowa residents, and require the medical residencies to provide the opportunity to practice in a rural area during their medical residency. The bill was amended to include an Iowa preference, but the preference applies to those individuals who are residents of Iowa, attended an undergraduate degree from an Iowa college or university, or attended and earned a medical degree from a medical school in Iowa. The bill also included a requirement for residencies of primary care, and psychiatry, the opportunity to participate in a rural rotation to expose residents to rural areas of Iowa. Additionally, the bill requires the U of Iowa to give priority in awarding federal residency positions to applicants who have an Iowa connection (as described above), as well as the opportunity for a rural rotation for primary care and psychiatric residencies. Another part of the bill requires U of IA to review the feasibility of offering additional fourth-year electives to students who attend DMU.

Suspending Inmates Medicaid Eligibility

[HF 423](#) was a bill that clarifies that DHS will not terminate Medicaid eligibility for an inmate at any point during their incarceration as long as the individual remains Medicaid eligible. Previously, inmates Medicaid status was cancelled if their incarceration exceeded a certain number of days.

Federal Block Grant Bill

The Federal Block Grant bill attempted to make changes to the funding for community mental health centers (CMHCs), by taking the funds that are applied to the CMHCs and redirect them to children’s mental health. [HF 756](#) was amended to continue to keep funding the CMHCs through the Federal Block Grant. However, there was language in the bill that required a report to go back to the legislature, highlighting how the funds are currently spent, with the intent of the House directing that money to services.

Mandatory Reporter Bill

[HF 731](#) is a bill that makes changes to Iowa’s mandatory reporter training requirements. The training requirements go from recertification from every five years to every three years, after initial training. The mandatory reporter curriculum will be developed by DHS for mandatory reporters of child abuse and dependent adult abuse, these



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separate trainings will be provided to mandatory reporters for free, and that the frequency of trainings be increased from every 5 years to every 3 years. This bill allows for an hour-refresher course after the initial 2-hour DHS training has been completed. Employers may still supplement the DHS training with a more specific training for their employees.

Prior Authorization for Medication Assisted Treatment

[HF 623](#) is a bill that requires the department to adopt rules that prior authorization shall not be required for five different treatments for medication assisted treatment. These treatments include: methadone, buprenorphine, naloxone, buprenorphine and naloxone combination, and naltrexone. The bill is effective July 1, 2019.

County and Region Levy Funding

[HF 691](#) is a bill that modifies the amount of excess funds counties are able to retain. This bill pushes back the requirement for MHDS Regions to decrease their ending fund balances by 5 years and increases the amount of cash flow to 40% going forward. Beginning in FY 2024, counties are limited to a fund balance of cash flow of 40% of gross expenditures. Currently it is at 25%.

Pharmacy Benefit Managers

Several bills that dealt with pharmacy benefit manager regulation were considered in the legislature this session. The bills took on various forms but the bill that moved was [SF 563](#). The bill creates a new chapter in Iowa Code—510C, and requires the PBMs to annually report to the Commissioner of Insurance information about rebates and fees received, with the Commissioner posting nonconfidential information received on its website. The bill also requires the Insurance Commissioner to adopt rules.

Designation of Laycaregiver

[SF 210](#) was a bill that was worked on by hospitals and AARP and deals with lay caregivers and their interaction with the discharge planning process.

Empower Rural Iowa

[HF 772](#), was the Empower Rural Iowa bill and one of the Governor's legislative priorities this session. The bill was amended throughout the session; the end result did the following. The bill addresses broadband by changing specific broadband targets/requirements for download speeds for BB services and references the FCC for those speeds. It allows the Chief Information Officer (CIO) to make determinations from time-to-time whether a provider is achieving those speeds and allows the CIO to increase download speeds to include additional areas. It extends the time for certain unobligated BB grants fund to revert to three years and extends the grant program to 2025. It also allows the CIO to consider additional information outside the application for a grant and determines weighting factors and includes additional opportunities for public comment. The bill makes definitions and defines what an underserved area is.

The bill also includes flood assistance by allocating \$10 million in housing credits for areas in 2019 flood disaster zones. For housing, it requires the use of application periods and competitive scoring for workforce housing



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projects and strikes certain reservation requirements and requires the EDA to notify tax incentive winners. It makes other changes to the application process, to the definition of a small city in order to allow a city that is partially in a county that is too large for the program to qualify, to claw back/repayment provisions and other matters. Includes competitive grant procedures. Sets caps (\$25 million for workforce housing, with \$10 million for small cities). Includes exceptions to the small city cap. Requires the creation of waiting lists for projects. Requires all credits in FY 2020 to go to small cities.

City and County Tax Limits

The legislature, [SF 634](#), created a threshold for local governments on their property tax threshold. The bill sets a threshold at 2%, however, cities and counties can exceed this threshold by a super majority vote, as well as a requiring the local government to hold a public hearing. The bill evolved as the session progressed. Versions that were proposed throughout the session included language that set a hard cap on the budget thresholds, reverse referendums, etc. Although the bill sets a “soft” threshold, the version that was passed was much less obstructive than previous versions.

Bills that Did not Move

Over the Counter Contraception. The Governor’s office was pushing bills that dealt with over the counter contraception to be given by pharmacists. The bill took on different forms in both the House and Senate, with the Senate moving a bill out of its chamber. However, the House did not move the bill this year. The governor has indicated she will work on it next year.

Pharmacists Increased Standing Orders. The Pharmacy Association attempted to move bills that would have increased their ability to perform more immunizations and have increased standing orders. The bills did not move this year.

Vaccination Exemptions. Several vaccination bills were introduced that would have created exceptions for parents who do not wish to vaccinate their children. Although the bills did not move, they grew in number and had packed subcommittees with those advocating for these exemptions.

Optometrists Injections. This year, the optometrists again attempted to increase their scope of practice to perform certain injections they currently cannot. The bill passed out of the House but stalled in the Senate, in large part due to Senator Marienette Miller-Meeks, who is an ophthalmologist. There was an end-of-session play to add the bill onto the standings bill but it was thwarted in the Senate.