

## HOUSE REPUBLICAN STAFF ANALYSIS

Bill:	House File 1049	House Sub:	<b>PASSED 5/1/25 (9-0)</b>
Committee:	Appropriations	House Committee:	<b>PASSED 5/12/25 (17-8)</b>
Floor Manager:	Rep. Ann Meyer	House Floor:	<b>PASSED 5/13/25 (63-28)</b>
Date:	May 13, 2025	Senate Floor:	<b>PASSED 5/14/25 (31-15)</b>
Staff:	Natalie Ginty (5-2063)	Governor:	<b>SIGNED 6/11/25</b>

### FISCAL YEAR 2026 HEALTH AND HUMAN SERVICES BUDGET

- This bill appropriates a total of \$2.47 billion from the General Fund to the Department of Veterans Affairs and the Iowa Department of Health and Human Services in FY 2026. This is an increase of \$253.9 million when compared to the estimated budget for FY 2025.

### Section by Section Analysis

#### Division I – Department of Veterans Affairs

This Division appropriates \$12.7 million to the Department of Veterans Affairs for FY2026. This is a \$338,766 increase when compared to the FY2025 Budget. Funding is allocated to the following budget units with any changes listed:

#### Section 1 – Department of Veterans Affairs

##### **Administration**

FY 2025	FY 2026	Difference
\$ 1,369,205	\$ 1,369,205	\$ 0

This budget unit goes toward salaries, support, and maintenance of the Department of Veterans Affairs. The administrative staff is located at Camp Dodge and is responsible for educating veterans and active-duty reserve members on entitlements and resources under State and federal laws, being a central point of contact in State government for veterans' issues and maintaining the burial records of over 185,000 deceased Iowa veterans along with operating the Iowa Veterans Cemetery in Van Meter. This section also provides 15 FTEs to IDVA.

##### **Iowa Veterans Home**

FY 2025	FY 2026	Difference
\$ 8,145,736	\$ 8,145,736	\$ 0

The Iowa Veterans Home, located in Marshalltown, provides both nursing home and residential levels of care for Iowa's aged, chronically ill, or disabled veterans, dependent spouses, and surviving spouses. There are around 400 individuals at the Veterans Home.

This section provides funding for the operation of the Iowa Veterans Home. Revenue sources for IVH include 36.8% Medicaid, 27.3% U.S. Department of Veterans Affairs per diem, 13.7% resident support, 9.3% General Funds, and 12.9% from other sources.

**Home Ownership Assistance Program**

FY 2025	FY 2026	Difference
\$ 2,200,000	\$ 2,200,000	\$0

A \$5,000 grant is available to a service member for a down payment and closing costs toward the purchase of a new home in the state. The Department of Veterans Affairs reviews each application to determine the applicant's eligibility as a veteran, and the Iowa Finance Authority administers and determines eligibility for the qualifying loan.

**Division II – Aging and Disability Services****Section 2 – DHHS – Aging and Disability Services**

FY 2025	FY 2026	Difference
\$ 19,088,714	\$ 19,208,180	\$119,466

The Aging and Disability Services Division at DHHS integrates aging and disability services including Iowa's Area Agencies on Aging, Aging and Disability Resource Centers, Elder Abuse Prevention and Awareness and Adult Protective Services. This appropriation represents 37% of Aging programming's total funding. This section also allows up to 88 FTEs for this division. This appropriation is an increase based on general operating costs for DHHS employees.

**Division III – Behavioral Health****Section 3 – DHHS – Behavioral Health**

FY 2025	FY 2026	Difference
\$ 24,400,114	\$ 24,442,121	\$42,007

The Division of Behavioral Health is focused on ensuring equitable access to behavioral health prevention, treatment, recovery, and crisis services. Programs include 988, Your Life Iowa, Behavioral Health Service System, Certified Community Behavioral Health Clinics and State Opioid Response. 61% of the funding comes from general fund. This section also allows up to 71 FTEs for this division. This appropriation is an increase based on general operating costs for DHHS employees.

This section provides allocations to the children's behavioral health system and the integrated substance use disorder managed care system.

**Section 4 – DHHS – Sports Wagering Receipts Fund**

Designates \$1.75 million from the sports wagering fund to go towards problem gambling and substance use prevention and treatment.

**Division IV – Public Health****Section 5 – DHHS – Public Health**

FY 2025	FY 2026	Difference
\$ 22,531,821	\$ 22,433,369	(\$ 98,452)

The Division of Public Health includes the Office of the Medical Director, the State Medical Examiner, Rural & Community Health, Health Statistics, Chronic, Congenital and Inherited Conditions, Environmental & Local Public Health, Radiological Health, EMS and Trauma, Emergency Preparedness & Response, Immunization and Tuberculosis, HIV, STI, and Hepatitis. This section also allows up to 348.6 FTEs for this division. General fund spending makes up about 5% of the total Division's spending.

This section includes direct distributions to Iowa Donor Network, Free Clinics, Rural Health Clinics, and Polk County Medical Society.

This section includes a decrease of \$214,000 due to consolidating health care loan repayment programs in House File 972. This section also requires \$2.3 million to be used towards the Medicaid graduate medical education efforts in HF972. According to LSA as of April 7, 2025, there is \$9.9 million in unobligated fund balances that will be transferred to the Medicaid GME program. The Governor's office has stated that \$500,000-\$600,000 is needed for startup costs for new programs.

This appropriation includes a \$20,000 appropriation for radon test kits and a \$95,548 increase based on general operating costs for DHHS employees.

#### **Division V – Community Access and Eligibility**

##### **Section 6 – DHHS – Community Access and Eligibility**

<b>FY 2025</b>	<b>FY 2026</b>	<b>Difference</b>
\$ 68,043,944	\$ 68,542,456	\$ 498,512

The Community Access and Eligibility Division includes the Operations Deputy, Child Support Services, Economic Assistance Programs (SNAP, FIP, Medicaid), Community Support and Services (Community Action Agencies, LIHEAP), and Wellness and Preventative Health (Family and maternal health, nutrition, and physical activity). This section also allows up to 870.4 FTEs for this section. General fund spending makes up about 8% of the total Division's spending. This appropriation is an increase based on general operating costs for DHHS employees.

This section includes funding for First-Five and Iowa Commission on Volunteer Service.

##### **Section 7 – Child Support Services**

<b>FY 2025</b>	<b>FY 2026</b>	<b>Difference</b>
\$ 15,434,282	\$ 15,644,114	\$ 209,832

DHHS is responsible for assisting custodial parents eligible to receive court-ordered child and medical support and for processing support payments. This section also allows up to 464 FTEs for this section.

##### **Section 8 – Temporary Assistance for Needy Families Block Grant**

This section appropriates the TANF money received by the state and unused TANF funds from previous years. TANF is a federal block grant that allows states flexibility in using funds to: help needy families care for children, end dependence on public benefits by promoting work, reduce out-of-wedlock pregnancies, and encourage the formation of two parent families. Iowa's federal grant remains the same each year: \$130,558,068. The allocations for FY 2026 are:

<b>TANF Allocation</b>	<b>Amount</b>
Community Access & Eligibility	\$12,988,627
Pregnancy Prevention grants	\$1,913,203
Economic Mobility and Self-Sufficiency	\$25,000,000
Early Intervention and Supports and FaDSS	\$3,013,980
Accountability, Compliance, Program Integrity, Technology	\$3,533,647
Child Care Assistance	\$47,166,825
Child Protective Services	\$65,364,100

This year's spend is higher than the annual allocation. FY2026 spends \$456 million in TANF funds. There is currently a \$104 million carryforward estimated for FY2025.

**Division VI – Medical Assistance Program – State Supplementary Assistance – Healthy and Well Kids in Iowa Program and Other Health-related Programs**

**Section 9 – Medical Assistance Program, State Supplementary Assistance and Healthy and Well Kids in Iowa Program**

<b>FY 2025</b>	<b>FY 2026</b>	<b>Difference</b>
\$ 1,650,866,536	\$ 1,903,550,706	\$ 252,684,170

**Medicaid:** Medical Assistance is a joint federal/state-funded entitlement program that provides medical assistance to certain low-income individuals that are aged, blind, disabled, or pregnant and to children or members of families with dependent children. Funding for Medicaid is based on the Federal Medical Assistance Percentage (FMAP) and receives varying federal match amounts depending on if the member is traditional Medicaid or Iowa Health and Wellness Plan.

Throughout the public health emergency, states have received an additional 6.2% FMAP (\$72 million each quarter to Iowa) and the additional federal funds to Medicaid ended January 1, 2024. This has caused there to be a significant carryforward in Medicaid, with a carryforward of \$367.9 million going into FY2024 and \$200 million going into FY 2024. However, that quickly dissipates with \$98.7 million ending balance in FY2025 and a projected need of \$170.6 million in FY2026 based on the March 2025 estimate.

The FY26 HHS Budget appropriates \$1.903 billion towards Medicaid.

This funding includes increases for:

- \$210.5 million for the Medicaid Shortfall at a 2% trend
- \$19.9 million for CHIP shortfall
- \$20 million for nursing home rebasing
- \$2.1 million to increase dental rates
- \$420,000 to adjust maternal health rates by unbundling rates based on acuity and adjusting rates to an 85% benchmark of similar states for prenatal, delivery and postpartum
- \$100,000 to increase rates for prosthetics and orthotics
- \$3,050,000 to increase intermittent community-based services
- \$330,513 to increase the personal needs allowance from \$50 to \$55 a month

This budget ends a \$800,000 appropriation towards renovating and contrasting nursing homes and has a \$3 million decrease based on additional federal funding for certified community behavioral health clinics.

**State Supplementary Assistance Program:** State Supplementary Assistance helps low-income elderly or disabled Iowans meet basic needs and reduces state spending for Medicaid.

This FY2026 budget is \$4,479,762. This is status quo funding.

**Children's Health Insurance Program (CHIP):** This section appropriates money for the Children's Health Insurance Program (CHIP), which is titled Healthy and Well Kids in Iowa (*hawk-i*) program. *Hawk-i* covers children with family income up to 300% FPL, with some families providing cost sharing depending on their income level.

Section 10 – Health Program Operations

FY 2025	FY 2026	Difference
\$ 39,597,231	\$ 39,672,433	\$ 75,202

This section provides the money for DHHS to contract with several entities to carry out programs to support the Medicaid program. This section also allows up to 82 FTEs for this section. This section includes funding for the state poison control center. This appropriation is an increase based on general operating costs for DHHS employees.

Section 11 – Pharmaceutical Settlement Account – DHHS

The section appropriates the funds received from legal settlements with prescription drug manufactures related to pharmaceuticals provided by the Medicaid Program in the pharmaceutical settlement account to the Department of Human Services for the Medical Contracts line item. This year's amount is \$234,193.

Section 12 – Quality Assurance Trust Fund – DHHS

For FY 2025, \$111.2 million will be appropriated from the quality assurance trust fund to DHHS for Medicaid. This fund is used to supplement nursing facilities under the Medicaid program. These funds do not revert back to the general fund and remain in the medical assistance program at the close of the fiscal year.

Section 13 – Hospital Health Care Access Trust Fund – DHHS

\$33,920,554 will be appropriated from the Hospital Health Care Access Trust Fund to DHHS for Medicaid in FY 2025. This fund receives revenue from an assessment place on Prospective Payment System hospitals, which are then matched with federal money. These funds do not revert back to the general fund and remain in the medical assistance program at the close of the fiscal year.

Section 14 (Iowa Code 249A.14) – New Section

Prohibits Medicaid funds for sex reassignment surgery or associated procedures, including hormone therapy or other medical interventions intended to alter primary or secondary sex characteristics related to an individuals' gender dysphoria diagnosis. Requires DHHS to adopt rules for this section.

Section 15 – Reimbursement Rates

This section notes the provider rates that are specifically changing, and if not noted, they are the same rates that were in effect in FY2025.

This section changes the following rates:

- Increases nursing facility rates by \$20,000,000
- Increases dental rates by \$2.1 million
- Increases maternal health rates by \$420,000
- Increases prosthetics rates by \$100,000

Requires DHHS to review reimbursement rates for home health agencies and pharmacy dispensing fees in FY26. Also requires DHHS to review the current rate limit calculation and application for special population nursing facility rates.

Section 16 – Nursing Facilities – Medicaid Reimbursement Methodology Proposal

Requires DHHS to develop a reimbursement methodology by April 1, 2026 with nursing facility stakeholders within the appropriation provided.

Section 17 – Nursing Facility Bed Forecasting Formula

Requires DHHS to make recommendations for a forecasting formula to ensure a sufficient number of nursing facility beds.

Sections 18 and 19 – Personal Needs Allowance (Iowa Code 249A.30A)

Appropriates \$330,513 to increase the personal needs allowance. This section also amends code to increase the amount from \$50 to \$55 per month.

**Division VII – Family Well-Being and Protection**

Section 20 – State Child Care Assistance

<b>FY 2025</b>	<b>FY 2026</b>	<b>Difference</b>
\$ 34,966,931	\$ 34,983,000	\$16,069

The Child Care Assistance program subsidizes child care costs for low-income families with working parents, parents gaining working skills, or parents going to school. In addition to paying for child care, this appropriation supports the regulation of child care providers and quality improvement activities of providers. DHHS also contracts with 5 Child Care Resource and Referral (CCR&R) contracts and 4 wrap-around child care contracts. This section also allows up to 53 FTEs for this section. This appropriation is an increase based on general operating costs for DHHS employees.

Section 21 – Early Intervention and Supports

This section promotes the optimum health status for children and adolescents from birth through 21 years of age.

<b>FY 2025</b>	<b>FY 2026</b>	<b>Difference</b>
\$ 35,277,739	\$ 35,301,904	\$24,165

This section includes HOPES funding, FaDSS grants, ECI funds, and MOMs program administration. This section also allows up to 29 FTEs for this section. This appropriation is an increase based on general operating costs for DHHS employees. This section does not appropriate MOMs funding in FY26 as there is \$1.2 million in carryforward from FY25.

Section 22 – Child Protective Services

<b>FY 2025</b>	<b>FY 2026</b>	<b>Difference</b>
\$ 166,101,034	\$ 165,558,031	(\$543,003)

Child Protective Services combines policy development with operations to help ensure safety, permanency, and well-being for children and families of Iowa. This section also allows up to 977 FTEs for this section.

This section includes funding for decategorization services, court-ordered services for children, child protection centers, preparation for adult living program, and Boys Town.

This section decreases the appropriation for adoption subsidy by \$1.2 million. The carryforward for these funds has been over \$10 million annually in recent years, even after moneys have been taken from this fund. The projected ending surplus for FY2025 is \$12 million and the projected FY2026 surplus is \$11.5 million.

This section includes the following increases:

- \$148,232 to increase adoption rates
- \$308,765 to increase foster care rates

This section additionally does not appropriate a general fund increase in QRTP and Shelter as well as for DHHS employee costs because there is a \$25 million carryforward in the appropriation. \$1 million of MOMs funding was also moved to another Division.

**Section 23 – Reimbursement Rates – Child Protective Services**

Increases QRTP rates by \$3.2 million and shelter rates by \$1.59 million. Requires DHHS to develop rates with providers for next fiscal year to improve service quality and provide the appropriate level of care for a child.

**Division VIII – State-Operated Specialty Care**

**Section 24 – State-Operated Specialty Care**

<b>FY 2025</b>	<b>FY 2026</b>	<b>Difference</b>
\$ 100,006,128	\$ 102,343,507	\$2,337,379

The Division of State-Operated Facilities operates six facilities across the state. The budgets for each facility include general operating expenses increase and staffing annualization. This section also allows up to 756 FTEs for this section. The breakdown by facility is the following:

- \$20,529,101 to Cherokee MHI
- \$24,851,083 to Independence MHI
- \$20,461,284 to Cherokee CCUSO
- \$14,433,872 to Woodward Resource Center
- \$1,590,130 to Glenwood Resource Center
- \$20,478,037 to Eldora State Training School

**Division IX – Administration and Compliance**

**Section 25 – Accountability, Compliance, and Program Integrity**

<b>FY 2025</b>	<b>FY 2026</b>	<b>Difference</b>
\$ 22,356,598	\$ 21,904,214	(\$ 452,384)

This section includes the Compliance Division and the Administration Division appropriation. This section also allows up to 409 FTEs for this section. This section appropriates an increase for general operating expenses for DHHS employees and continues the shift of CJP to DOM.

This section allows \$200,000 to be transferred in the Iowa ABLE savings plan trust administrative fund.

This appropriation does include the foster care review and court appointed special advocate programs, as well as the office of long-term care ombudsman.

**Division X – DHHS Transfers, Cashflow, and Nonreversions**

**Section 26 – DHHS Transfers and Cash Flow**

Allows DHHS to make certain transfers throughout the year.

**Section 27 – DHHS Nonreversions**

Allows the following appropriations to remain rather than revert to the general fund for FY2026:

- FaDSS
- Medicaid
- State Specialty Care
- Commission on volunteer service
- Rural psychiatric residencies

- Adoption subsidy
- Child protective services

#### **Division XI – DHHS Prior Appropriations and Other Provisions**

Section 28 – Allows Thrive TANF funds to not revert.

Section 29 – Allows community access and eligibility funds to not revert.

Section 30 – Allows MOMs funding to not revert

Section 31 – Allows Child Protective funds to not revert

Section 32 – Immediate Effective Date

Section 33 – Retroactive Applicability – July 1, 2024

#### **Division XII – Beer and Liquor Control Fund – Behavioral Health Fund**

Section 34 – In Lieu of Standing Appropriation

Section 35 (Iowa Code 123.17)

Transfers \$1 million annually of the beer and liquor control fund to the behavioral health fund.

Section 36 – Immediate Effective Date

Section 37 – Retroactive Applicability – July 1, 2024

#### **Division XIII – Report on Nonreversion of Funds**

Section 38 – Requires DHHS to report expenditures for nonreversion funds authorized every quarter.

#### **Division XIV – Emergency Rules**

Section 39 – Emergency Rules – Allowed if necessary. Requires notification to the legislature if the rule spends more than appropriated.

#### **Division XV– Hospital Directed Payment Program**

Section 40 (Iowa Code 2490.1) – New Section

Defines “centers for Medicare and Medicaid Services”, “department”, “hospital”, “hospital directed payment program” and “state directed payment”.

Section 41 (Iowa Code 2490.2) – New Section

Requires DHHS to submit to CMS a hospital directed payment program each fiscal year. This includes assessing hospitals for the nonfederal share and ensuring timely payments. Allows for up to a 4% administrative fee. Allows for the termination of the program if DHHS views federal law or policy have significantly changed impacting the program. Allows DHHS to write rules.