

July 2, 2015

The Honorable Paul Pate
Secretary of State of Iowa
State Capitol
LOCAL

Dear Mr. Secretary:

I hereby transmit Senate File 505, an Act relating to appropriations for health and human services and veterans and including other related provisions and appropriations, and including effective date and retroactive and other applicability date provisions.

Senate File 505 as passed by the Iowa Legislature gives counties the ability to increase property taxes, enlarges entitlement programs and fails to take critical steps in modernizing Iowa's mental health system. It is even more concerning to me and to the thousands of Iowans who depend on Medicaid that it appears the Iowa Legislature may have underfunded Medicaid. The budget I proposed in January 2015 fully funded Medicaid. We have embarked on efforts to modernize our administration of Medicaid. It is my hope that these efforts will not only improve the quality of health care outcomes our Medicaid patients receive but also provide much needed budget predictability and stability for taxpayers who make the program possible.

Senate File 505 is approved on this date with the following exceptions, which I hereby disapprove.

I am unable to approve the designated portion of the item designated as Section 3, subsection 4, lettered paragraph g, subparagraph b. This item requires the Department of Public Health to distribute funding for care coordination efforts. I strongly support the modernization and increased coordination of health care for Iowans served by our safety net. However, due to federal approval of the Iowa State Innovation Model grant funding, this state funding is redundant and not needed at this time.

I am unable to approve the designated portion of the item designated as Section 4, subsection 2, lettered paragraph b. This item restricts contracting flexibility at the Iowa Veterans Home. Such restrictions are unnecessary and counterproductive. The Department of Administrative Services must have flexibility in procuring the best services for veterans at the Iowa Veterans Home at the most cost effective price for taxpayers.

I am unable to approve the designated portion of the item designated as Section 4, subsection 2, lettered paragraph d. This item creates a redundant, overly burdensome mandate requiring the Iowa Veterans Home to make expenditure reports monthly to the Legislative Services Agency for fiscal year 2015. While I strongly support transparency efforts that publicly disclose how departments spend their resources, this information is already available within the State's accounting and budgeting systems.

I am unable to approve the designated portion of the item designated as Section 12, subsection 17, lettered paragraph c. This item restricts the Department of Human Services from implementing certain cost containment strategies. The Department must have the tools and flexibility to effectively manage a program so critically important to so many vulnerable Iowans. Such a restriction on the management and oversight authority of the Department of Human Services while facing a potentially underfunded Medicaid budget is inappropriate.

I am unable to approve the designated portion of the item designated as Section 12, subsection 17, lettered paragraph d. This item requires the Department of Human Services to report on cost containment strategies. The Department of Human Services, Department of Management and the Legislative Services Agency meet on a monthly basis to determine projections for the Medical Assistance appropriation. Information relating to cost containment strategies is shared during these meetings. While I strongly support transparency efforts that publicly disclose how departments spend their resources, this information is already available within the State's accounting and budgeting systems.

I am unable to approve the designated portion of the item designated as Section 12, subsection 20. This item requires the Department of Human Services to execute the State Innovation Model grant. Additionally, this item requires the Department of Human Services to submit a report on the progress of the grant by September 1, 2015. The State is already implementing the State Innovation Model grant. The information requested to be reported is also not necessary due to the fact that this information is available upon request by the General Assembly.

I am unable to approve the designated portion of the item designated as Section 12, subsection 25. This item restricts Medicaid waiver management flexibility for the Department of Human Services. The Department must have the tools and flexibility to effectively manage a program so critically important to so many vulnerable Iowans. Such a restriction on the management and oversight authority of the Department of Human Services while facing a potentially underfunded Medicaid budget is inappropriate.

I am unable to approve the designated portion of the item designated as Section 23, subsection 3. Today, more Iowans than ever before have access to mental health treatment. Through the bi-partisan Mental Health Redesign signed into law in 2012, Iowans are accessing care locally through mental health regions. The mental health regions are investing substantial resources into

increased access to home and community based substance abuse and mental health services. In the 1800s, Iowa opened four mental health institutions. At their peak, they served more than 6,600 people on any given day combined. However, modern mental health care has come a long way and best practices rightfully no longer include the warehousing of mental health patients. In fact, the average daily bed census at the Mount Pleasant Mental Health Institute over the past four years is only 61 patients. In fiscal year 2014, this came at the high cost to state taxpayers of \$126,791 per patient. These resources can best be used to provide better, more modern mental health services to more Iowans. Other states have already gone down this path by closing their outdated institutions and offering innovative mental healthcare options. Minnesota once operated eleven mental health institutes. Today they operate one. Wisconsin operates two. Over the past 18 years, states adjacent to Iowa have closed 13 institutes like Mount Pleasant and Clarinda (Illinois closed four state psychiatric hospitals, Minnesota closed four, Missouri closed three, and Nebraska closed two). Like Iowa, these neighboring states have modernized their mental health systems and reduced their use of institutionalization. In 2009, a Department of Human Services report and Governor Culver recommended closure of the Mount Pleasant Mental Health Institute. The Legislature has taken the first steps and closed the Clarinda Mental Health Institute. We can keep moving forward and serve Iowans with two mental health institutions rather than four. Therefore, in keeping with modern best practices and the utilization of our system, it is not in the best interests of our patients, the taxpayers or the mental health system to continue operating an aging, antiquated mental health institution lacking key clinical staff, particularly a psychiatrist.

I am unable to approve the designated portion of the item designated as Section 26, subsection 1. This item prohibits external approvals that are designed to ensure budget integrity, stability and predictability. Management must have the ability and flexibility to allocate resources where they are most effective and needed. In addition, this item creates a redundant, overly burdensome mandate requiring the department to report to the chairpersons and ranking members of the appropriations committees on a monthly basis. While I strongly support transparency efforts that publicly disclose how departments spend their resources, this information is already available within the State's accounting and budgeting systems.

I am unable to approve the designated portion of the item designated as Section 27, subsection 2. This item requires the Department of Human Services to report operational and program expenditures at least monthly to the Legislative Services Agency. While I strongly support transparency efforts that publicly disclose how departments spend their resources, this information is already available within the State's accounting and budgeting systems.

I am unable to approve the designated portion of the item designated as Section 29, subsection 1, lettered paragraph s. This item requires the substance abuse managed care plan to increase reimbursement for licensed substance-related disorder treatment programs serving Medicaid patients. To help improve patient outcomes while also bringing predictability and stability for taxpayers funding Medicaid, the Department of Human Services is modernizing Medicaid in

Iowa and partnering with modern, patient-centered health plans. With this modernization effort in mind, we must be prudent with any increases for providers. Substance abuse providers received a reimbursement increase two years ago and are benefitting from the Iowa Health and Wellness Plan substance abuse coverage. With that in mind, a rate increase is not prudent at this time.

I am unable to approve the designated portion of the item designated as Section 29, subsection 12. Iowa has embarked on efforts to modernize its administration of Medicaid by partnering with specialized, patient-centered health care plans. This bi-partisan initiative is currently in procurement. This item creates restrictions on the reimbursement methods of the health care plans partnering with the state. The Request for Proposals issued by the Department of Human Services already includes protections for providers and their reimbursement. The restrictions in this item are, therefore, redundant and unneeded at this time.

I am unable to approve of the item designated as Section 67 in its entirety. This item creates a process for assessing the level of care needed for Medicaid patients. Iowa is embarking on an initiative to modernize our administration of Medicaid by partnering with high quality, patient centered health plans. As part of that initiative, these plans will oversee level of care assessments. Therefore, this item would create a redundant assessment system that is best left to our health plan partners.

I am unable to approve of the item designated as Division XVI in its entirety. This item further enlarges the taxpayer-funded child care assistance program. We must support working families. More Iowans are working than ever before and our families are seeing their incomes rise. Enlarging government programs that only further perpetuate the cliff effect felt by these families when their incomes rise and benefits are lost is not the right policy for Iowa. Additionally, with the federal and state updates already in motion, this enlargement is not recommended by the Department of Human Services at this time.

I am unable to approve of the item designated as Division XXX in its entirety. This item creates a Polk County-centered pilot project for refugee services. Iowans have a proud history of working in public-private partnerships to support refugees coming to our state. However, the path refugees take to Iowa has changed over time. More time is needed to study a state-wide solution for refugees and immigrants who originally went to other states and how Iowa, both publicly and privately, can best meet the needs of modern refugees

I am unable to approve of Division XXXII in its entirety. This item amends the Quality Assurance Assessment already found in Iowa Code by establishing a set three percent assessment on nursing facilities in Iowa. The assessment currently in Iowa Code is meeting the needs of our patients, nursing facility providers and the Medicaid program and a change is inappropriate at this time.

I am unable to approve the designated portion of the item designated as Section 123, subsection 4, lettered paragraph g, subparagraph b. This item requires the Department of Public Health to distribute funding for care coordination efforts. I strongly support the modernization and increased coordination of health care for Iowans served by our safety net. However, due to federal approval of the Iowa State Innovation Model grant funding, this state funding is redundant and not needed at this time.

I am unable to approve the designated portion of the item designated as section 124, subsection 2, lettered paragraph b. This item restricts contracting flexibility at the Iowa Veterans Home. Such restrictions are unnecessary and counterproductive. The Department of Administrative Services must have flexibility in procuring the best services for veterans at the Iowa Veterans Home at the most cost effective price for taxpayers.

I am unable to approve the designated portion of the item designated as Section 124, subsection 2, lettered paragraph d. This item creates a redundant, overly burdensome mandate requiring the Iowa Veterans Home to make expenditure reports monthly to the Legislative Services Agency for fiscal year 2016. While I strongly support transparency efforts that publicly disclose how departments spend their resources, this information is already available within the State's accounting and budgeting systems.

I am unable to approve the designated portion of the item designated as Section 132, subsection 17, lettered paragraph c. This item restricts the Department of Human Services from implementing certain cost containment strategies. The Department must have the tools and flexibility to effectively manage a program so critically important to so many vulnerable Iowans. Such a restriction on the management and oversight authority of the Department of Human Services while facing a potentially underfunded Medicaid budget is inappropriate.

I am unable to approve the designated portion of the item designated as Section 132, subsection 17, lettered paragraph d. This item requires the Department of Human Services to report on cost containment strategies. The Department of Human Services, the Department of Management and the Legislative Services Agency meet on a monthly basis to determine projections for the Medical Assistance appropriation. Information relating to cost containment strategies is shared during these meetings. While I strongly support transparency efforts that publicly disclose how departments spend their resources, this information is already available within the State's accounting and budgeting systems.

I am unable to approve the designated portion of the item designated as Section 132, subsection 22. This item restricts Medicaid waiver management flexibility for the Department of Human Services. The Department must have the tools and flexibility to effectively manage a program so critically important to so many vulnerable Iowans. Such a restriction on the management and oversight authority of the Department of Human Services while facing a potentially underfunded Medicaid budget is inappropriate.

I am unable to approve the designated portion of the item designated as Section 143, subsection 3. Today, more Iowans than ever before have access to mental health treatment. Through the bipartisan Mental Health Redesign signed into law in 2012, Iowans are accessing care locally through mental health regions. The mental health regions are investing substantial resources into increased access to home and community based substance abuse and mental health services. In the 1800s, Iowa opened four mental health institutions. At their peak, they served more than 6,600 people on any given day combined. However, modern mental health care has come a long way and best practices rightfully no longer include the warehousing of mental health patients. In fact, the average daily bed census at the Mount Pleasant Mental Health Institute over the past four years is only 61 patients. In fiscal year 2014, this came at the high cost to state taxpayers of \$126,791 per patient. These resources can best be used to provide better, more modern mental health services to more Iowans. Other states have already gone down this path by closing their outdated institutions and offering innovative mental healthcare options. Minnesota once operated eleven mental health institutes. Today they operate one. Wisconsin operates two. Over the past 18 years, states adjacent to Iowa have closed 13 institutes like Mount Pleasant and Clarinda (Illinois closed four state psychiatric hospitals, Minnesota closed four, Missouri closed three, and Nebraska closed two). Like Iowa, these neighboring states have modernized their mental health systems and reduced their use of institutionalization. In 2009, a Department of Human Services report and Governor Culver recommended closure of the Mount Pleasant Mental Health Institute. The Legislature has taken the first steps and closed the Clarinda Mental Health Institute. We can keep moving forward and serve Iowans with two mental health institutions rather than four. Therefore, in keeping with modern best practices and the utilization of our system, it is not in the best interests of our patients, the taxpayers or the mental health system to continue operating an aging, antiquated mental health institution lacking key clinical staff, particularly a psychiatrist.

I am unable to approve the designated portion of the item designated as Section 146, subsection 1. This item prohibits external approvals that are designed to ensure budget integrity, stability and predictability. Management must have the ability and flexibility to allocate resources where they are most effective and needed. In addition, this item creates a redundant, overly burdensome mandate requiring the department to report to the chairpersons and ranking members of the appropriations committees on a monthly basis. While I strongly support transparency efforts that publicly disclose how departments spend their resources, this information is already available within the State's accounting and budgeting systems

I am unable to approve the designated portion of the item designated as Section 147, subsection 1. This item requires the Department of Human Services to report operational and program expenditures at least monthly to the Legislative Services Agency. While I strongly support transparency efforts that publicly disclose how departments spend their resources, this information is already available within the State's accounting and budgeting systems.

I am unable to approve the designated portion of the item designated as Section 149, subsection 1, lettered paragraphs. This item requires the substance abuse managed care plan to increase reimbursement for licensed substance-related disorder treatment programs serving Medicaid patients. To help improve patient outcomes while also bringing predictability and stability for taxpayers funding Medicaid, the Department of Human Services is modernizing Medicaid in Iowa and partnering with modern, patient-centered health plans. With this modernization effort in mind, we must be prudent with any increases for providers. Substance abuse providers received a reimbursement increase two years ago and are benefitting from the Iowa Health and Wellness Plan substance abuse coverage. With that in mind, a rate increase is not prudent at this time.

I am unable to approve the designated portion of the item designated as Section 149, subsection 12. Iowa has embarked on efforts to modernize its administration of Medicaid by partnering with specialized, patient-centered health care plans. This bi-partisan initiative is currently in procurement. This item creates restrictions on the reimbursement methods of the health care plans partnering with the state. The Request for Proposals issued by the Department of Human Services already includes protections for providers and their reimbursement. The restrictions in this item are, therefore, redundant and unneeded at this time.

I am unable to approve of the item designated as Section 156 in its entirety. This item creates a Polk County-centered pilot project for refugee services. Iowans have a proud history of working in public-private partnerships to support refugees coming to our state. However, the path refugees take to Iowa has changed over time. More time is needed to study a state-wide solution for refugees and immigrants who originally went to other states and how Iowa, both publicly and privately, can best meet the needs of modern refugees.

I am unable to approve of the item designated as Section 159 in its entirety. This item calls for Iowa, after closure of the Clarinda Mental Health Institute by the Iowa Legislature, to request proposals to operate a private, specialized nursing facility on the grounds at Clarinda. As I stated above, more Iowans are receiving mental health care than ever before. And increasingly, they are receiving it locally through mental health regions throughout our state. This holds true for adult in-patient psychiatry as well as geriatric psychiatric patients. Geriatric psychiatric patients are best served in nursing facilities with special services rather than being warehoused in costly and outmoded 19th century mental health institutes. Facilities exist today to provide these services, delivering higher quality for patients at lower costs to taxpayers. The Department of Human Services recommends allowing our mental health system to continue moving forward and giving facilities the flexibility to develop their own settings for care rather than restricting them to the campus at Clarinda. In Southwest Iowa, mental health regions are on track to open residential and community crisis services as well as jail diversion services. However, I recognize the importance of the Clarinda and Mount Pleasant facilities to their communities. It is important to note that the prisons located at Mount Pleasant and Clarinda will continue in full operation. Additionally, Clarinda will continue hosting the Clarinda Youth Academy and private substance

abuse services on the campus without interruption. I am committed to working with these communities to repurpose and redevelop the campuses formerly occupied by the mental health institutes. To that end, I am convening a workgroup consisting of members from the Iowa Economic Development Authority, the Department of Corrections (who control the campuses), and the Department of Human Services to work with communities and allow for the easiest most efficient transition of the campuses into new development and jobs.

For the above reasons, I respectfully disapprove the designated items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 505 are hereby approved as of this date.

Sincerely,

TERRY E. BRANSTAD
Governor