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# Iowa Fiscal Partnership

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## New Holes in the Safety Net:

### Report Shows Cuts to Human Services in Time of Need, Tough Choices Ahead

DES MOINES, Iowa (Friday, Dec. 10, 2004) – Lack of funding for human services over the last three years has created new holes in Iowa's safety net, according to a detailed study released by the Iowa Fiscal Partnership (IFP).

"Without strong corrective action, these holes will get bigger, rather than smaller, in the next fiscal year," said Charles Bruner, executive director of the Child & Family Policy Center (CFPC) and co-author of the report for the IFP. "This lack of funding occurred despite the recession producing greater demand and need for human services."

The IFP analysis focused upon changes in state appropriations and federal expenditures between fiscal year 2001 and fiscal year 2004, the period when the recession hit and states experienced fiscal crises in balancing their budgets. The report analyzes changes in economic assistance and child care funding, medical services funding, child and family services (primarily child welfare) funding, mental health and disabilities funding, and funding for managing and delivering services.

During the three-year period, state general fund appropriations for the Iowa Department of Human Services (DHS) declined by 9.7 percent, while over the same general period child poverty increased by 23 percent. Non-general fund expenditures, primarily federal funds through Medicaid and other federal grants, increased during the period, enabling the state to continue current eligibility levels for most programs, including the Medicaid and HAWK-I, Iowa's State Children's Health Insurance Program (SCHIP).

The non-general fund expenditures included significant one-time revenue sources and an enhanced federal reimbursement rate under Medicaid that has since expired, however. This will mean Iowa must find other revenue sources to maintain current levels of commitment under its human service programs in future years.

Even with these additional federal funds, Iowa had to create holes in the safety net in order to balance the Iowa DHS budget between fiscal year 2001 and 2004, according to the report. Specific impacts included:

- Elimination or dramatic reduction in a number of discretionary programs, particularly those that were more preventive in focus, such as family support subsidies, emergency assistance, individual development accounts, and Family Development and Self Sufficiency (FaDSS) funding.

— more —

■ A reduction in overall service system support for child welfare services, despite a 14.8 percent increase in the number of confirmed cases of child abuse and a variety of reports calling for increased investment to address system deficiencies.

■ A reduction of 38.3 percent in bed capacity at the four state mental health institutes, at the same time that a number of hospitals were closing or downsizing their psychiatric beds.

The state Medicaid and HAWK-I programs constituted the largest share of the Department of Human Services budget and grew substantially during the period, in part due to the increased cost of health care and in part due to an increase in the number of people, particularly children, who were served. Currently, a Medical Assistance Crisis Intervention Team is conducting meetings around the state on how to address budget shortfalls in Medicaid.

From 2001 to 2004, Iowa managed the growth in Medicaid costs and expenditures through drawing from some reserve funds that cannot be ongoing sources of support and benefited from an increased federal matching rate that has now expired.

While not raising the eligibility standard, the number of children served under Medicaid or HAWK-I programs increased by 31 percent, from 168,261 to 220,487. The IFP report attributes this increase to two factors: (1) an increase in the number of children who qualify due to the impacts of recession, and (2) an increase in the number of children who qualify because the private sector's health coverage for employees no longer offers affordable family coverage.

"While people talk about the Medicaid crisis," Bruner said, "we would have a much bigger crisis if there were no Medicaid program. Medicaid or HAWK-I now covers nearly one-third of all Iowa children — and most of the increase in coverage is for children in working families. While children are not a high-cost group from a medical coverage perspective, children need primary and preventive health services.

"Because of rising health care costs, businesses are less likely to be able to offer family coverage at affordable rates for children. It only has been the presence of Iowa's Medicaid and HAWK-I programs that has kept the uninsurance rates for children from rising in this state. Until we address health care in a more comprehensive manner, Iowans should view Medicaid and HAWK-I as the best available solution to health care coverage for children, and not as a problem."

Overall, the study found that Iowa's Medicaid program has contained health care costs for specific service areas at least as successfully as the private sector, to the point that some services, such as dental care, while technically available under Medicaid, are hard to obtain, as providers are unwilling to accept Medicaid as a payment source.

"The Iowa Department of Human Service's budget is complex, but we could not find significant areas where funding has not been severely constrained during this period, at some human cost," report co-author Victor Elias noted. "Clearly, cuts created additional holes in Iowa's safety net. There were also temporary patches to shore up the safety net. We need more permanent funding to maintain, let alone repair the safety net's patches during the next legislative session."

The IFP is a joint tax and budget analysis effort of the CFPC in Des Moines and the Iowa Policy Project in Mount Vernon.