



## INFORMATIONAL LETTER NO. 2374-MC-FFS

**DATE:** September 12, 2022

**TO:** Iowa Medicaid Home- and Community-Based Services (HCBS) Providers, Home-Based Habilitation, Case Managers, Targeted Case Managers, Integrated Health Homes (IHH)

**APPLIES TO:** Managed Care (MC), Fee-for-Service (FFS)

**FROM:** Iowa Department of Health and Human Services (HHS), Iowa Medicaid

**RE:** Iowa Statewide Transition Plan (STP) for HCBS Settings

**EFFECTIVE:** September 1, 2022

In March 2014, the Centers for Medicare and Medicaid Services (CMS) issued regulations that define the settings in which it is permissible for states to pay for Medicaid HCBS. These final HCBS regulations (known as the “final rule”) were published in the federal register on January 16, 2014, and became effective March 17, 2014.

The purpose of these regulations is to ensure that individuals receive Medicaid HCBS in settings that are integrated in and support full access to the greater community. This includes opportunities to seek employment and work in competitive and integrated settings, engage in community life, control personal resources, and receive services in the community, to the same degree as individuals who do not receive HCBS.

On July 8, 2022, Iowa Medicaid submitted a final draft STP to CMS. The final draft STP is available on the [HHS website](#)<sup>1</sup>. The final STP will be posted on the HHS website when approved by CMS.

The STP applies to providers of the 1915(i) State Plan HCBS programs known as HCBS habilitation services and all seven 1915(c) HCBS waivers, which include the intellectual disability, brain injury, health and disability, physical disability, elderly, AIDS/HIV, and children’s mental health waivers. The STP applies to all HCBS services whether provided through FFS or through a Managed Care Organization (MCO), including any additional HCBS provided as “value-added” or 1915(b)(3) services through an MCO.

<sup>1</sup> <https://dhs.iowa.gov/ime/about/initiatives/HCBS/TransitionPlans>

The HCBS rules require that all residential and non-residential settings be in compliance by March 17, 2023. The Iowa Medicaid Quality Improvement Organization (QIO) HCBS unit is responsible for quality oversight of HCBS waiver and habilitation providers which includes ensuring compliance with the HCBS settings final rule. The QIO HCBS has been working with individual providers over the past several years to develop and implement corrective action plans (CAP) to address individual remediation activities that ensure compliance. Many providers are currently in compliance, but some have outstanding remediation related to the HCBS settings. Outstanding remediation may mean that a provider has yet to submit an acceptable CAP or is in the process of implementing an approved CAP but has not yet demonstrated full compliance in one of the areas related to settings. In some cases, a review may have been concluded with the expectation that a provider continue implementation of an approved CAP and be compliant by March 17, 2023.

Beginning in September 2022, the QIO HCBS unit will send letters to providers with outstanding remediation related to settings, notifying them of actions needed and associated timelines to come into compliance with the settings rule. Typical timelines followed for HCBS quality oversight reviews may be accelerated to assure full compliance by March 17, 2023, and assure continued funding of HCBS services in that setting after that date.

The accelerated timeline will also assure that members receiving services in residential and non-residential settings that do not or cannot come into compliance with the settings rules are given time to transition to settings that are in compliance on or before March 17, 2023. To meet this timeline, providers with outstanding remediation related to HCBS setting requirements must achieve and demonstrate full compliance no later than November 30, 2022. Plans to transition members to alternative settings would begin December 1, 2022.

Additionally, settings that meet one of the following categories and have outstanding remediation will be referred to CMS for further review known as “heightened scrutiny” review. Prior to submission to CMS for heightened scrutiny, the setting will be put forward for public comment. Settings that fall into one of the categories are not precluded from participation in HCBS but do require heightened scrutiny and must demonstrate that they can overcome the institutional presumption or the effect of isolating individuals.

- Category 1: Settings located in a building that is also a publicly or privately operated facility that provides inpatient institutional treatment;
- Category 2: Settings in a building located on the grounds of, or immediately adjacent to, a public institution; and
- Category 3: Any other settings that have the effect of isolating individuals receiving Medicaid HCBS from the broader community of individuals not receiving Medicaid HCBS.

For more information regarding the HCBS setting requirements, please see:

- [Informational Letter \(IL\) 2164-MC-FFS<sup>2</sup>](#)
- [Home- and Community-Based Services Final Regulation<sup>3</sup>](#)
- [HCBS Settings Transition<sup>4</sup>](#)

Please direct questions concerning this IL to [hcbsettings@dhs.state.ia.us](mailto:hcbsettings@dhs.state.ia.us). For questions specific to a current provider review or compliance with settings rules, please [contact your HCBS specialist<sup>5</sup>](#).

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<sup>2</sup> <https://secureapp.dhs.state.ia.us/IMPA/Information/ViewDocument.aspx?viewdocument=32cd835d-bf88-4fc2-b59c-7ac777e7cd8c>

<sup>3</sup> [Home- and Community-Based Services Final Regulation | Medicaid](#)

<sup>4</sup> [Home- and Community-Based Services \(HCBS\) Settings Transition](#)

<sup>5</sup> [HCBS Waiver Provider Contacts](#)