Iowa Governor Signs Legislation Impacting Iowa's Long-Term-Care Industry

June 2, 2023 – Dorsey Health Law
by Katie Cownie and Adam J. Freed

On June 1, 2023, Iowa Governor Kim Reynolds signed into law Iowa bill HF 685, which will significantly impact the future of Iowa's long-term-care industry. Among other provisions, HF 685 increases scrutiny imposed on parties who seek to acquire an Iowa nursing facility, imposes a temporary moratorium on adding new nursing facility beds in the state, and mandates a publicly available dashboard regarding the availability of nursing facility services.

Enhanced Scrutiny of Nursing Facility CHOWs. In recent years, a number of states and the Federal Government have increased the level of scrutiny applied to nursing facility changes of ownership ("CHOWs"). HF 685 continues that trend by requiring nursing facility license applicants to provide additional information to the Department of Inspections, Appeals, and Licensing ("DIAL") before the agency will issue a nursing facility license. The information required is not limited to the applicant's proposed nursing facility operations, but also includes information related to any assisted living programs, hospice services, home health agencies, or other long-term care related health services provided by the applicant or by a related party of the applicant. Applicants must now provide information about the applicant's organizational and ownership structure (including related parties), any related party transactions and associated reimbursement structures, the applicant's financial suitability to operate a nursing facility, and the applicant's regulatory history with any other state or licensing jurisdiction.

Related People

- Katie Cownie
- Adam J. Freed

Related Capabilities

- Healthcare & Life Sciences
- Healthcare Transactions & Regulations
- Healthcare Litigation
- Medical Devices

The legislation also permits DIAL to require an applicant to create an escrow account with sufficient funds to operate the nursing facility for at least two months. The escrow account would need to be fully funded before DIAL issues a nursing facility license to the applicant, and the applicant may be required to maintain the escrow account for up to five years from the date the applicant commences operation of the nursing facility. DIAL would be permitted to reduce the amount in the escrow account after the applicant has operated the facility for two years. If DIAL files an application for the appointment of a receiver for a facility, and the court appoints a receiver, DIAL would then be permitted to draw on the funds in the escrow account to operate the facility. Administrative rules drafted by DIAL to implement these new requirements are forthcoming.

Moratorium on Additional Nursing Facility Beds. Commencing on July 1, 2023, HF 685 imposes a temporary moratorium on the addition of new nursing facility beds in the state. The initial term of the moratorium is twelve months. DIAL is permitted to extend the term of the moratorium in additional six-month increments, but for no longer than a total of 36 months. The legislation permits DIAL, in consultation with the Department of Health and Human Services ("DHHS"), to waive the moratorium with respect to a specific proposal if the two departments jointly determine there is a specialized need for the nursing facility beds requested, or if the average occupancy of nursing facility beds in the county and contiguous counties have exceeded 85 percent during the three most recent calendar quarters.

Nursing Facility Dashboard. HF 685 also requires DHHS to develop a publicly available dashboard to provide information regarding the availability of nursing facility services across the state. The dashboard will provide the number of nursing facility beds available in the state, the overall quality rating of each nursing facility (as reported by the CMS Star Ratings), changes in the number of nursing facility beds available in each county, and an explanation of such changes. The legislation requires the dashboard to be available no later than January 1, 2024.

If you have any questions regarding HF 685 and how your organization may be impacted, please contact the authors or your regular Dorsey attorney.