

Department of Planning and Budget

2006 Fiscal Impact Statement

1. Bill Number: HB 123

House of Origin: ☒ Introduced ☐ Substitute ☐ Engrossed

Second House: ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Fralin

3. Committee: Health, Welfare and Institutions

4. Title: Mental health services waiver for at-risk youth

5. Summary/Purpose: The bill requires the Director of the Department of Medical Assistance Services (DMAS) to develop and apply for a waiver to obtain Medicaid coverage for children in need of mental health services and who are at risk of institutional placement due to the need for those services. The waiver would be designed to provide behavioral, respite care, and family support services.

The number of waiver slots requested would be dependent upon the appropriation provided for this purpose. The bill requires the waiver to be submitted to the federal Centers for Medicare and Medicaid Services by October 1, 2006, and provides for the development of emergency regulations to implement the waiver. The bill further allows the agency to reduce the costs of the regulatory process by allowing it to conduct as much of the process electronically, as is possible.

The second enactment clause of the bill makes the waiver contingent upon an appropriation included in the 2006 Appropriation Act.

6. Fiscal Impact Estimates are: Final. SEE ITEM 8.

7. Budget amendment necessary: Yes, if the bill is to be enacted then one is necessary since the waiver is subject to appropriation in the 2006 Appropriation Act. SEE ITEM 8.

8. Fiscal implications: The waiver would allow DMAS to expand coverage to children in families who do not meet current financial eligibility criteria and are in need of intensive mental health services. Often times, parents have relinquished custody of children since they cannot afford to provide them the medical care they require.

In 2004, the State Executive Council, through the Department of Mental Health and Mental Retardation and Substance Abuse Services (DMHMRSAS), issued a study investigating the reasons leading to the practice of parents relinquishing custody of their children to obtain mental health services, although the study did not provide census estimates of this population. The Department of Social Services estimated that there are approximately 2,000 children currently in foster care services due to custody relinquishment. This number may

not be accurate, but represents the only estimate available. It does not account for eligible children whose families decided not to relinquish custody. According to the DMHMRSAS Comprehensive State Plan, there are currently 2,399 children on the waiting list for at least one Community Services Board service. This number does not necessarily reflect the number of children who would access a mental health waiver, but the children who are in need of services. Also, this does not reflect persons waiting for services in the private sector who could request Medicaid enrollment in a waiver.

The benefit package included in this waiver would be similar to the benefit package offered to individuals in the Developmental Disabilities waiver or Mental Retardation waiver that are not in congregate residential settings. The average costs for individuals in those waivers (not including those in congregate residential settings) is approximately \$31,000.

Using projected annual medical costs of \$19,000 per waiver slot the estimated fiscal impact for FY 2007 ranges from \$3.8 million total funds (\$1.9 million GF) for a waiver serving 200 children to \$45.6 million total funds (\$22.8 million GF) for a waiver serving 2,400 children. Assuming 2,300 children eligible for services in FY 2007, the estimated fiscal impact would be \$43.7 million total funds (\$21.8 million GF).

When submitting an 1915(c) waiver the state does have the option of limiting the number of slots, or individuals who can be served, on the waiver. The following table shows the estimated medical cost for the waiver for a full year for several different numbers of slots.

Estimated Medical Costs for Waiver - Assumes Full Year Implementation

Number of Slots	FY 2007		
	Cost Per Slot	Estimated Medical Cost FY 2007	GF Cost FY 2007
200	\$19,000	\$3,800,000	\$1,900,000
500	\$19,000	\$9,500,000	\$4,750,000
1,000	\$19,000	\$19,000,000	\$9,500,000
2,000	\$19,000	\$38,000,000	\$19,000,000
2,300	\$19,000	\$43,700,000	\$21,850,000
2,400	\$19,000	\$45,600,000	\$22,800,000

Assuming a waiver with 200 slots and that the program will be operational for three quarters of FY 2007 results in estimated medical expenditures of \$2.8 million total funds in FY 2007 (\$1.4 million GF). Future year costs are based on the full year FY 2007 cost, \$3.8 million total funds, adjusted 4.5 percent annually for the growth in medical expenditures per person.

Administrative Expenditures

One position will be needed to administer the waiver, perform screening for the waiver and monitor and accept applications. The projected cost for this person would be \$75,800 including benefits. Additionally, this waiver will increase the cost of DMAS' prior authorization contract. The more authorizations that will be required, then the more expenditures for DMAS. Below is a table based on different slot assumptions.

Number of Slots	Estimated Prior Authorization Cost	
	FY 2007	GF Cost FY 2007
200	\$130,544	\$32,636
500	\$292,860	\$73,215
1,000	\$570,552	\$142,638
2,000	\$1,046,189	\$261,547
2,300	\$1,208,505	\$302,126
2,400	\$1,261,610	\$315,403

The creation of the waiver will also require some computer systems modification expenditures. A new eligibility "Aid Category" will have to be created for this group. In order to do the systems development associated with developing a new Aid Category and including it in existing reports, it is projected that 400 hours of project work will be needed. This equates to \$61,600 total funds, \$15,400 general fund. The systems work is a one time cost.

In addition DSS will experience a slight increase in cost related to eligibility determinations.

Total Expenditures

Estimated Total Expenditure Impact for DMAS – Assuming 200 Waiver Slots

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07*	\$1,502,777	0.5	GF
2006-07*	\$1,582,531	0.5	NGF
2007-08	\$2,057,015	0.5	GF
2007-08	\$2,124,245	0.5	NGF
2008-09	\$2,147,372	0.5	GF
2008-09	\$2,216,619	0.5	NGF
2009-10	\$2,241,778	0.5	GF
2009-10	\$2,313,103	0.5	NGF
2010-11	\$2,340,417	0.5	GF
2010-11	\$2,413,881	0.5	NGF
2011-12	\$2,443,479	0.5	GF
2011-12	\$2,519,147	0.5	NGF

Note: Assumes only three-quarters of the waiver costs for the fiscal year.

9. Specific agency or political subdivisions affected: Department of Medical Assistance Services and the Department of Social Services.

10. Technical amendment necessary: No.

11. Other comments: One issue with this waiver is that it maybe difficult for Virginia to obtain approval from the federal Center for Medicare & Medicaid services (CMS) to implement this waiver. All waivers must demonstrate cost effectiveness; it must be no more expensive to treat individuals in the waiver than it would be under an alternate institutional setting. DMAS cannot use residential treatment services as the alternate setting so in order for the waiver to be approved DMAS must demonstrate that the average cost of community care for children in the waiver is less than the average cost of acute psychiatric hospitalization for children not in the waiver. This calculation has not been completed yet and is problematic since these hospital stays tend to be short term. An analysis of this population estimated that the average annual expenditure, for this population, in FY 2005 was approximately \$19,700 per child. Therefore the benefit package for this waiver would have to be limited in a way which will limit expenditures to an amount less than \$19,700 per child.

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cc: Secretary of Health and Human Resources