

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: SB 1501

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Barker

3. Committee: Rehabilitation and Social Services

4. Title: Elimination of the Mental Retardation and Development Disability waiver waiting lists by the end of FY 2018

5. Summary: The bill requires the Governor and General Assembly to develop and implement a plan to provide funding to the Department of Medical Assistance Services (DMAS) to eliminate the waiting lists for the Medicaid Mental Retardation (MR) and Individual and Family Developmental Disability Services (IFDDS) waivers by the end of FY 2018.

The bill has a second enactment clause that makes one section of the bill contingent on a federal stimulus package with Medicaid funding. This section provides for 400 MR waiver slots in FY 2009 and 400 in FY 2010 and enough slots to reduce 10 percent of the waiting list for the DD waiver.

6. Fiscal Impact Estimates:

6a. Medicaid Expenditure Impact: (Item 309, Service Area 45610)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010	\$27,512,035	N/A	GF
2010	\$27,512,035	N/A	NGF
2011	\$64,406,781	N/A	GF
2011	\$64,406,781	N/A	NGF
2012	\$101,487,137	N/A	GF
2012	\$101,487,137	N/A	NGF
2013	\$139,323,774	N/A	GF
2013	\$139,323,774	N/A	NGF
2014	\$177,154,174	N/A	GF
2014	\$177,154,174	N/A	NGF
2015	\$216,473,191	N/A	GF
2015	\$216,473,191	N/A	NGF
2016	\$291,776,937	N/A	GF
2016	\$291,776,937	N/A	NGF
2017	\$313,525,240	N/A	GF
2017	\$313,525,240	N/A	NGF
2018	\$335,378,579	N/A	GF
2018	\$335,378,579	N/A	NGF

Administrative Expenditure Impact: (Item 311, Service Area 49901)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010	\$ 461,270	5.0	GF
2010	\$ 461,270	5.0	NGF
2011	\$ 1,210,114	13.0	GF
2011	\$ 1,210,114	13.0	NGF
2012	\$ 1,999,769	21.5	GF
2012	\$ 1,999,769	21.5	NGF
2013	\$ 2,837,943	30.5	GF
2013	\$ 2,837,943	30.5	NGF
2014	\$ 3,757,684	40.5	GF
2014	\$ 3,757,684	40.5	NGF
2015	\$ 3,269,658	44.0	GF
2015	\$ 3,269,658	44.0	NGF

7. **Budget Amendment Necessary:** Possibly, with the assumption that a federal stimulus package with Medicaid funding is enacted into law. Item 306, Service Area 45610 and Item 311, Service Area 49901 would be impacted. However, if no such funding occurs, then no budget amendment is necessary as all costs would be delayed until FY 2011.
8. **Fiscal Implications:** The Department of Medical Assistance Services (DMAS) interprets this bill to require that waiver slots be gradually added, sufficient that there would be no waiting list for either waiver by the end of FY 2018 and according to mid-term goals and guidelines set forth. In addition, the second enactment clause is assumed to have occurred with federal stimulus funding for Medicaid. (If no federal stimulus funding occurs then any fiscal impact would be delayed until FY 2011 and the distribution of additional slots and funding would change in order to meet the requirements of the bill.) The following fiscal impact estimate is based on this interpretation.

Medicaid Expenditures

According to the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS), the MR Waiver waiting list increases by an additional 580 individuals per year. To eliminate the waiver list by the end of FY 2018 and according to midterm goals set forth, DMAS estimated the additional waiver slots that would be needed each year. 400 slots were to be added in FY 2009, but all additional costs from those recipients would be incurred in FY 2010 along with the 400 slots actually made available in 2010.

To reduce the urgent waiting list by 50 percent by the end of FY 2012 and eliminate the urgent waiting list by 2014, 1,109 slots would need to be added each year in FY 2011 through FY 2014. After FY 2014, 1,152 slots would need to be added each year to eliminate the total waiting list. The waiting list is estimated to be 4,625 at the beginning of FY 2010, not including the 400 slots the bill calls for in FY 2009.

Using an average FY 2009 cost per MR recipient of \$61,961 (total funds), DMAS has calculated the projected costs associated with implementation of this bill. The inflation rate was calculated each year based on constant rates for long term care services and a three percent annual increase in acute care costs. The following table shows the estimated number of individuals through FY 2019 and the additional total costs associated with decreasing the waiting list as prescribed by this legislation.

MR Waiver					
	Total Waiting List	Urgent Waiting List	Cumulative Additional MR Slots	Cost Per MR Recipient	Annual Cost
December 2008	4,335				
July 2009 (e)	4,625	2,337		\$61,961	
2010	4,405	2,117	800	\$62,050	\$49,640,000
2011	3,876	1,588	1,909	\$62,141	\$118,627,169
2012	3,346	1,058	3,019	\$62,235	\$187,887,465
2013	2,817	529	4,128	\$62,333	\$257,310,624
2014	2,288	-	5,237	\$62,433	\$326,961,621
2015	1,716		6,389	\$62,536	\$399,542,504
2016	1,144		7,541	\$62,642	\$472,383,322
2017	572		8,693	\$62,751	\$545,494,443
2018	-		9,845	\$62,863	\$618,886,235

Similarly, DMAS determined that there are an additional 137 individuals per year expected to be added to the DD Waiver waiting list. To eliminate the waiver list by 2018 and according to the midterm goals and guidelines, 207 slots would need to be made available in FY 2010, 190 in FY 2011 and 190 in FY 2012, and 225 each year thereafter until the waiting list is eliminated in 2018. The waiting list is estimated to be 704 at the beginning of FY 2010.

The FY 2009 average cost per DD recipient is \$25,926 (total funds). The inflation rate was calculated each year based on constant rates for long term care services and a three percent annual increase in acute care costs. The following table shows the estimated number of individuals through FY 2019 and the additional total costs associated with decreasing the waiting list as prescribed by this legislation.

DD Waiver				
	DD Waiver Waiting List	Additional DD Waiver Slots	Cost Per DD Recipient	Annual Cost (Total Funds)
Dec. 08 Waiting List	635			
Waiting List July 09 (e)	704		\$25,926	
2010	634	207	\$26,010	\$ 5,384,070
2011	581	397	\$26,094	\$ 10,360,112
2012	528	587	\$26,178	\$ 15,370,595
2013	440	812	\$26,263	\$ 21,336,924
2014	352	1,037	\$26,348	\$ 27,346,727
2015	264	1,262	\$26,433	\$ 33,403,878
2016	176	1,487	\$26,672	\$ 39,508,103
2017	88	1,712	\$26,779	\$ 45,662,464
2018	-	1,937	\$26,888	\$ 51,870,923

In total, DMAS estimates that medical costs associated with this bill will be \$55.0 million total funds (\$27.5 million GF) in FY 2010 and reaching \$583.6 million total funds (\$291.8 million GF) by FY 2016.

Administrative Expenditures

The federal Centers for Medicare and Medicaid Services (CMS) approves all requests for home-and-community-based waivers. The Medicaid Mental Retardation (MR) Waiver and the DD Waiver are two of the seven home-and-community-based waivers offered in the Commonwealth. As a part of the approval and routine renewal of these waivers, CMS holds the Department of Medical Assistance Services accountable for a series of eighteen assurances including the “continuous monitoring of the health and welfare of waiver participants and remediation actions when appropriate.”

DMAS staff is responsible to conduct random, unannounced quality management reviews of waiver providers and recipients as a way to meet the CMS assurance. The addition of new slots in the MR and DD waiver will require additional staff each year. The MR Waiver requires full-time equivalent quality management review analysts with 1:320 caseloads to fulfill the responsibility to CMS to adequately assure that all recipients are safe in their homes and communities. The DD Waiver requires full-time equivalent analysts with 1:118 caseloads to conduct both quality management reviews and annual level of care reviews. Staff monitor providers of services, recipients of services and provide technical assistance and training as required.

Also, the addition of new slots each year for both the MR and DD Waiver will increase the number of waiver-related client appeal cases in proportion to the increase in waiver slots. State regulations require that appeals be resolved within strict timeframes, or the appeal is automatically resolved in favor of the appellant. Therefore, the agency would need additional positions in the appeals division to ensure the ability to process the additional appeals. The caseload for each hearing officer is approximately 181 cases per year.

DMAS estimates administrative costs of \$922,539 (\$461,270 GF) in FY 2010 and \$2,420,229 (\$1,210,114 GF) in FY 2011 and an increase in its employment level of 10 positions and 26 positions, respectively.

	FY 2010	FY 2011
MR Waiver	3	8
DD Waiver	2	3
Appeals	5	15
Total FTEs	10	26

9. Specific Agency or Political Subdivisions Affected: Department of Medical Assistance Services.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/2/2009 mst

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cc: Secretary of Health and Human Resources