

Department of Planning and Budget 2020 Fiscal Impact Statement

1. **Bill Number:** HB 1127

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Davis

3. **Committee:** Health, Welfare, and Institutions

4. **Title:** Therapeutic day treatment; definition

5. **Summary:** The proposed legislation directs the Board of Medical Assistance Services to revise its regulations to define "therapeutic day treatment" as a preventive mental health support available in place of partial hospitalization and reformatory care.

6. **Budget Amendment Necessary:** Yes, Items 312, 313, and 315.

7. **Fiscal Impact Estimates:** Preliminary

Expenditure Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|--------------------|----------------|-------------|
| 2020 | - | - |
| 2020 | - | - |
| 2021 | \$5,974,285 | General |
| 2021 | \$6,563,887 | Nongeneral |
| 2022 | \$14,524,077 | General |
| 2022 | \$15,957,459 | Nongeneral |
| 2023 | \$14,786,374 | General |
| 2023 | \$16,245,642 | Nongeneral |
| 2024 | \$15,048,671 | General |
| 2024 | \$16,533,825 | Nongeneral |
| 2025 | \$15,310,968 | General |
| 2025 | \$16,822,008 | Nongeneral |
| 2026 | \$15,573,264 | General |
| 2026 | \$17,110,191 | Nongeneral |

- 8. Fiscal Implications:** The proposed legislation would make changes in regulations to define therapeutic day treatment (TDT) as a preventive mental health support available in place of partial hospitalization and reformative care. The Department of Medical Assistance Services (DMAS) reports that approximately 19,300 children (2.4 percent of Medicaid/FAMIS children) received a TDT service in FY 2019. Furthermore, since the transition of TDT services into managed care, growth in service utilization has continued at two percent each year, which is commensurate with overall Medicaid enrollment growth. In FY 2019, total spending on TDT services was approximately \$173,452,000.

DMAS maintains that the categorization of the TDT service as a preventive service would have an effect on current age restrictions and other eligibility requirements. As such, DMAS asserts that the changes would increase service utilization and program costs. Using the number of Medicaid enrollees diagnosed with a mental, behavioral, or neurodevelopmental disorder in FY 2019, DMAS estimates that, on average, 70,000 individuals each month would be made eligible for TDT services as a result of this legislation. Further, DMAS assumes a utilization rate of 4.8 percent or approximately 3,336 new TDT recipients per month in FY 2021. The average yearly cost per TDT recipient in FY 2019 was \$8,987 or a monthly amount of \$749.

DMAS assumes that approximately six months would be needed to amend the Medicaid State Plan and state regulations, update waivers for the Medallion and CCC Plus programs, and change the managed care organization (MCO) contracts. As such, DMAS estimates assume that total expenditures on TDT services as provided for in this bill would amount to \$12,538,172 (\$5,974,285 general fund) for FY 2021. The total cost in FY 2022 is estimated to be \$30,481,536 (\$14,524,077 general fund). Funding is based on population assumptions using existing claims payments comprised of 84 percent Medicaid, six percent FAMIS, and ten percent M-CHIP enrollees comparable to the previously eligible group.

- 9. Specific Agency or Political Subdivisions Affected:**

Department of Medical Assistance Services

- 10. Technical Amendment Necessary:** No

- 11. Other Comments:** TDT is defined in the Medicaid State Plan as a rehabilitation service.

This bill would categorize TDT as a preventive service. Federal regulations at 42 CFR 440.130 define a preventive service as a service that prevents a disability or illness. TDT is a treatment service for those who have been diagnosed with a mental health condition, and because a diagnosis is required for the service, it is not considered a preventive service. Examples of preventive services are physician administered screenings and evaluations.