

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 99 (Delegate Hurson. *et al.*)

Environmental Matters

**Home- and Community-Based Services for Autistic Children and Seriously
Emotionally Disturbed Individuals - Medicaid Waivers**

This bill requires the Department of Health and Mental Hygiene (DHMH) to apply to the federal Health Care Financing Administration (HCFA) for home- and community-based services waivers to receive federal matching funds for services to “seriously emotionally disturbed individuals” who would otherwise require institutionalization in a residential treatment center (RTC); and autistic children aged 1 through 21 who would otherwise require institutionalization in an institution for the developmentally disabled. The services covered by the waivers may include, but are not limited to, respite care, family training and education, day treatment, intensive individual support, therapeutic living, intensive in-home intervention, and specialized case management. The bill specifies which governmental agencies are to certify the State matching funds required under the waivers. DHMH must report to the General Assembly every six months concerning the status of the waiver applications.

The bill takes effect July 1, 1998.

Fiscal Summary

State Effect: Indeterminate. Any savings in State expenditures under the waivers will depend on the amount of federal funding Maryland could receive if the waiver requests are granted, the amount of current State and federal spending for institutions and the community services specified in the bill, and the extent to which additional State funds under the waivers would be required to pay for community services not currently reimbursable by Medicaid. Combined State and local government net savings from a waiver for autistic children could total \$4.1 million on an annual basis. Net State savings from a waiver for seriously emotionally disturbed individuals is indeterminate due to gaps in the available data.

Local Effect: Combined local and State net savings from a waiver for autistic children could total \$4.1 million on an annual basis.

Small Business Effect: Potential meaningful.

Fiscal Analysis

State Effect: The bill would allow the State to receive federal Medicaid matching funds for the provision of certain community services to autistic children and seriously emotionally disturbed individuals who would otherwise be placed in institutions; and seriously emotionally disturbed individuals leaving residential treatment centers who currently do not qualify for Medicaid when they are in the community. Currently, individuals in residential treatment centers for longer than 30 days are considered a family of one and qualify for Medicaid. When they leave the center, their family income is considered in determining Medicaid eligibility.

The waivers have the potential to produce savings for both the State and the federal government by diverting children from expensive institutional placements and permitting children to return to less costly placements in the community more quickly. However, additional State and federal funds would be required under the waivers to pay for community services not currently reimbursable by Medicaid. For example, neither respite care services nor specialized case management are currently reimbursed by Medicaid for seriously emotionally disturbed individuals. Moreover, all children who are “at risk” of institutionalization would be reimbursed by Medicaid for these services regardless of income.

The premise of a home- and community-based waiver is that the cost of providing community services will not exceed the cost of maintaining a child in an institution. HCFA will not approve a waiver unless it is projected to be cost-neutral, i.e., the federal government will not spend more under the waiver than it currently pays. HCFA also will only reimburse the service component of community services and will not reimburse room and board expenses.

The Office of Legislative Audits (OLA) reviewed records of State agencies (DHMH, the Office for Children, Youth, and Families, and the Maryland State Department of Education) to determine the extent to which State and federal funds currently pay for the services listed in the bill. The following two sections reflect the unaudited data OLA obtained from the State agencies.

Seriously Emotionally Disturbed Individuals

Exhibit 1 is a summary of the total number of individuals served in residential treatment centers (i.e., Medicaid approved facilities both in and out-of-state) during fiscal 1996 and 1997 and the total related costs. **Exhibit 1** also includes DHMH's estimate of the number of individuals who would potentially be eligible under a home- and community-based waiver, if approved (600 individuals in fiscal 1997).

Exhibit 1
Department of Health and Mental Hygiene
Home- and Community-Based Waiver - Seriously Emotionally Disturbed Individuals
Residential Treatment Center Placements

	<u>FY 1996</u>	<u>FY 1997</u>	<u>% Change FY 96-97⁽¹⁾</u>
Total individuals served in residential treatment centers (i.e., in-state and out-of-state Medicaid approved facilities)	915	1,125	23%
Total State and federal fund expenditures (50/50) basis ⁽²⁾	\$31,069,000	\$46,019,000	48%
Maximum population estimated to be potentially eligible under the waiver ⁽³⁾	265	600	126%

- (1) DHMH could not readily explain the reasons for the large percentage increases in fiscal 1997 for the categories of information presented.
- (2) DHMH could not provide detail related to the costs of specific mental health services included in the above totals that related to the categories in the bill.
- (3) DHMH's representation as to the number of individuals that may be eligible for continued federal funding upon release from a center, if the waiver is approved. However, DHMH was unable to provide data regarding the number of individuals released from the centers annually.

Inclusion of these individuals in a home- and community-based waiver could represent savings to the State because of the possibility that they could be served by less expensive community services. Any savings will be offset by additional costs, including provision of the services which are generally not currently reimbursed by Medicaid.

Individuals returned from an out-of-state residential treatment center that do not return to their family unit (i.e., are placed in a group home setting) remain under the authority of the lead agency that was responsible for the initial out-of-state placement. These individuals are served by local management boards which operate under agreements with the Office for Children, Youth, and Families. The local boards ensure that any required mental health services are provided to the individuals. In addition, the boards provide services that are

designed to prevent (i.e., divert) out-of-state placements of seriously emotionally disturbed individuals. **Exhibit 2** provides statistics on the number of individuals served by the boards during fiscal 1995 through 1997 and the total costs incurred in providing services. Information was not readily available that would provide a breakdown of costs by type of service. As such, the costs presented include various items (i.e., room and board) that would not be covered under the federal waiver.

Exhibit 2
Office for Children, Youth, and Families
Home- and Community-Based Waiver - Seriously Emotionally Disturbed Individuals
Returns/Diversions From Out-of-State Placements

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
Individuals returned from out-of-state placements	154	177	150
Individuals diverted from out-of-state placements	<u>170</u>	<u>214</u>	<u>192</u>
Total individuals returned or diverted	<u>324</u>	<u>391</u>	<u>342</u>
Total return/diversions costs - State and federal funds combined ⁽¹⁾	\$13,126,000	\$16,728,000	\$13,785,000

⁽¹⁾ The Office for Children, Youth, and Families could not readily provide detail related to the costs of specific mental health services included in the above totals that related to the categories in the bill. In addition, a breakdown of the total cost by State and federal funding could not readily be provided.

In addition, the majority of individuals released from in-state residential treatment centers that do not return to their family unit fall under the jurisdiction of the Department of Human Resources (DHR). DHR does not maintain specific data pertaining to mental health services (and related costs) provided to seriously emotionally disturbed individuals. However, DHR estimated that approximately \$4 million annually (75% State, 25% federal) is spent on such services.

Autistic Children

An estimated 200 autistic children would be eligible for Medicaid services under the waiver, of whom half are in an institution and half are at risk of being institutionalized. Their services are currently funded by the State and local governments and are not reimbursed by Medicaid. These non-public school placement services are funded approximately 50% by the State [Maryland State Department of Education (MSDE)] and approximately 50% by local

education agencies. Inclusion of autistic children in a waiver represents savings to the State, because federal fund Medicaid reimbursement would supplant 50% of State and local funds. Any savings will be offset by additional costs for provision of services not currently reimbursed by Medicaid.

Exhibit 3 shows the annual net savings to State and local governments from the waiver (\$4.1 million), which represents gross State and local savings (\$8.2 million) less additional State and local costs (\$4.1 million).

Exhibit 3
Department of Education and Department of Health and Mental Hygiene
Home- and Community-Based Waiver - Autistic Children
Estimated Effect of Waiver

	<u>Amount per Child</u>	<u>No. of Children</u>	<u>Total</u>
Current estimated annual local government and State general fund costs for autistic children expected to be eligible under the waiver	\$81,676	200	\$16,335,200
Less:			
Federal revenues (i.e., 50/50 funding) if waiver is approved	40,838	200	<u>8,167,600</u>
Gross savings to local governments and State general fund			\$8,167,600
Less:			
Additional local and State general fund costs for services not currently provided that would be included if the waiver is approved:			

Intensive individual support services	12,810	110	(1,409,100)
Respite/extended day care	5,640	200	(1,128,000)
Additional mental health care costs	3,000	140	(420,000)
Case management	3,750	200	(750,000)
Additional miscellaneous costs	1,500	140	(210,000)
Additional administrative/capital costs	-	-	(200,000)
Subtotal			<u>(\$4,117,100)</u>

Estimated annual net savings to the local governments
and State general fund \$4,050,500

Note: The information presented above was provided by MSDE and DHMH - Medical Care Policy Administration using estimates. Additional gathering and analysis of data would be required in order to more accurately formulate the waiver request.

Administrative Costs

DHMH advises that Medicaid expenditures could increase by an estimated \$193,000 (50% general funds and 50% federal funds) in fiscal 1999, which reflects a 90-day start-up delay. This estimate reflects the cost of hiring six employees (two Supervisors, two Specialists, and two Secretaries) to administer the waiver. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

The Department of Legislative Services advises that sufficient justification for six new administrative positions has not been provided by DHMH. Six new positions seem excessive to administer a waiver that includes only a few hundred children, particularly since the bulk of the administrative burden would be borne by the Mental Hygiene Administration and MSDE, rather than the Medicaid program. Therefore, Medicaid expenditures for administrative purposes should not increase.

Local Effect: As shown in **Exhibit 3**, local and State expenditures could decrease by \$4.1 million if autistic children were included in a home- and community-based Medicaid waiver due to replacement of local education funds by federal Medicaid reimbursement funds. These services are currently funded by the State and local governments and are not reimbursed by Medicaid.

Additional Comments: DHMH plans to apply to HCFA for a home- and community-based services waiver for seriously emotionally disturbed individuals by July 1, 1998 and for autistic children by June 1, 1998.

Small Business Effect: If HCFA approves the waivers, the bill could favorably affect small business community service providers who offer the services listed in the bill to autistic children and seriously emotionally disturbed individuals. Payments currently made to residential treatment centers or institutions for the developmentally disabled could instead be made to small business community service providers. The bill could promote the development of new community service providers and provide increased revenues to existing providers.

Information Source(s): Department of Legislative Services; Department of Health and Mental Hygiene (Mental Hygiene Administration, Licensing and Certification Administration, Medical Care Programs Administration, Developmental Disabilities Administration); Maryland State Department of Education; Department of Budget and Management; Insurance Administration

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