

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 748

(Senator Kelley)

Finance

Health and Government Operations

Psychiatric Residential Treatment Demonstration Waiver Application

This bill requires the Department of Health and Mental Hygiene (DHMH) to apply to the Centers for Medicare and Medicaid Services (CMS) for a psychiatric residential treatment demonstration waiver if CMS announces that it is accepting such applications. The application must provide for services for at least 150 individuals or for the maximum number of individuals CMS allows, if the maximum allowed is fewer than 150 individuals. During the waiver application process, DHMH must conduct an analysis of the short-term and long-term costs and benefits of implementing the waiver. DHMH must report to the General Assembly every six months on the application until the waiver is approved or denied. If CMS approves the waiver, DHMH must report to the General Assembly on its decision regarding whether it will implement the waiver. The report must include a summary of the cost and benefits analysis.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Expenditures could increase by \$10.9 million in FY 2008 for the waiver program assuming DHMH applies for and receives the waiver and funding for the community-based psychiatric services begins in that year. Future years assume a stable number of individuals served by the program and inflation. No effect on revenues.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	5.4	5.4	5.4	5.4
FF Expenditure	0	5.4	5.4	5.4	5.4
Net Effect	\$0	(\$10.9)	(\$10.9)	(\$10.9)	(\$10.9)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Meaningful to the extent that small business community mental health services providers would treat additional individuals.

Analysis

Current Law: MHA is responsible for the treatment and rehabilitation of the mentally ill. MHA's headquarters coordinates mental health services throughout the State according to the populations served, whether in an institutional or community setting. Core Service Agencies (CSAs) work with MHA, through signed agreements, to coordinate and deliver mental health services in the counties.

The federal Social Security Act gives states the option of requesting waivers of certain federal requirements in order to develop community-based alternatives to placing Medicaid-eligible individuals in hospitals, nursing facilities, or institutions. Medicaid home- and community-based waivers allow individuals to receive long-term care services in the community rather than an institutional setting. Maryland is approved to operate six waivers: (1) Waiver for Older Adults; (2) Waiver for Individuals with Disabilities (Living at Home Waiver); (3) Waiver for Mentally Retarded/Developmentally Disabled Individuals; (4) Model Waiver for Medically Fragile Children; (5) Waiver for Individuals with Autism Spectrum Disorder; and (6) Waiver for Adults with Traumatic Brain Injury.

DHMH must apply to the Health Care Financing Administration of the federal Department of Health and Human Services for a home- and community-based services waiver of the Social Security Act to receive federal funds for services to seriously emotionally disturbed individuals who would otherwise require institutionalization. Services that may be provided include respite services, family training and education, day treatment services, therapeutic integration services, intensive individual support services, therapeutic living services, intensive in-home intervention services, and specialized case management services.

Background: CMS has not yet announced that it will accept applications for a psychiatric residential treatment demonstration waiver. MHA assumes that if such a waiver were announced, it would be to provide intensive, community-based mental health services to children who would otherwise be eligible for residential treatment center (RTC) services and who currently are not eligible for Medicaid-covered community-based services. MHA does not expect the number of children initially treated at RTCs to decline if the department does receive the waiver. If any children in RTCs

become eligible for community-based treatment as a result of the waiver, MHA expects that other children would be admitted to the RTCs because several privately operated RTCs have a waiting list for services. MHA advises that there is the potential for a reduction in the number of children served by RTCs in future fiscal years but could not reliably predict when that may occur. Generally, treatment in an RTC is more expensive than community-based services. For example, the fiscal 2007 proposed budget estimates that the cost per admission at the John L. Gildner Regional Institute for Children and Adolescents will be \$112,629.

Children who are covered by their parents' health insurance and whose parents' incomes exceed the Medicaid eligibility limit (below approximately 46% of the federal poverty level) currently are not eligible for community-based services. MHA advises that private insurance generally covers a limited range of community-based mental health services while Medicaid covers a wider array of mental health services for eligible individuals.

Currently, if a child needs mental health treatment from an RTC and the child is not eligible for Medicaid, the child's parents must pay for the first 30 days of treatment. If treatment in an RTC is still required after 30 days, the child is classified as a family of one and is eligible for Medicaid. When the child leaves the center, family income is considered in determining Medicaid eligibility for community-based services.

Since CMS has not yet announced the availability of such a waiver, it is not known which mental health services would be covered and how many individuals would be eligible to receive services if DHMH were granted the waiver.

State Expenditures: CMS has not announced that it will create a psychiatric residential treatment demonstration waiver program. For the purposes of this analysis, the Department of Legislative Services (DLS) assumes that CMS will do so and will begin accepting applications during fiscal 2007. DLS further assumes that DHMH, utilizing existing staff, will apply for the waiver, the waiver will be granted, and MHA will fund community-based psychiatric services beginning in fiscal 2008.

MHA expenditures could increase by \$10,865,340 in fiscal 2008 of which \$10,800,000 (\$5.4 million general/\$5.4 million federal) is to provide intensive, community-based psychiatric services to 150 children and \$65,340 (\$32,670 general/\$32,670 federal) is to hire a health policy analyst to administer the waiver. This estimate assumes that:

- the waiver would provide intensive community-based psychiatric services to children who are currently ineligible for Medicaid;
- services would be provided to a total of 150 individuals at any one time;

- intensive, community-based psychiatric services costing an average of \$6,000 per month (\$72,000 annually) per individual would be provided; and
- 50% of expenditures would be paid for with federal funds and 50% of expenditures would be paid for with general funds.

Payments to Community-based Psychiatric Services Providers	\$10,800,000
Salary and Fringe Benefits	58,364
Operating Expenses	<u>6,976</u>
Total FY 2008 State Expenditures	\$10,865,340

Future year expenditures reflect: (1) \$10.8 million spent annually for intensive, community-based psychiatric services; (2) a full salary with 4.6% annual increases and 3% employee turnover; and (3) 1% annual increases in ongoing operating expenses.

Further, DHMH advises that there currently is not a mechanism for combining funding streams from different departments for such a project. DHMH assumes that most of the State matching funds would come from MHA's budget. For the purposes of this analysis, DLS assumes that all the State matching funds would come from MHA's budget.

In addition, DHMH assumes that 25% of the 150 individuals (38 children) participating in the waiver would not be covered by private health insurance and therefore would be eligible for Medicaid coverage for physical health services at a cost of \$3,600 per child per year, \$136,800 annually. This assumes that these children, although eligible, would not be receiving physical health services covered by Medicaid. DLS assumes that because these individuals already would be eligible for Medicaid, the cost for providing for their physical health services should not be attributed to this bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Department of Legislative Services

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Analysis by: Lisa A. Daigle

Direct Inquiries to:
(410) 946-5510
(301) 970-5510