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## FISCAL IMPACT REPORT

SPONSOR: Heaton DATE TYPED: 02/19/03 HB 651

SHORT TITLE: Medicaid Behavioral Health Program Act SB \_\_\_\_\_

ANALYST: Weber

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

Responses Received From  
Human Services Department

### SUMMARY

#### Synopsis of Bill

House Bill 651 (HB 651) establishes a Medicaid behavioral health program to provide behavioral health services for Medicaid recipients to begin no later than July 1, 2004. The program would operate with its own dedicated budget to be expended solely on the provision of services, and be operated by Human Services Department or an alternative entity with experience in, and knowledge of, the provision and management of behavioral health services. HB 651 requires the initiation of a planning process involving a cross-section of behavioral health stakeholders to advise the department on the structure of the program and the services to be included.

The goals of the program as outlined in HB 651 include:

- 1) Delivery of a full range of behavioral health services;
- 2) Delivery of services that are specifically designed to meet a recipient's individual needs;
- 3) Accommodation of special needs related to where a recipient resides, e.g., urban/rural/border areas;
- 4) Expenditure of the maximum amount of funding possible on the delivery of direct services;

- 5) Provision and assurance of effective monitoring and accountability related to funds and services.

### Significant Issues

House Bill 651 essentially “carves out” the behavioral health component of the MCO responsibility. Management of these services would become the direct responsibility of the Human Services Department (HSD) or its experienced designee. It is unclear how a designee is different from some form of managed care except this new form of managed care cannot include physical care simultaneously.

Without a designee, the behavioral care component would become a category of the Medicaid fee-for-service component. This would create a need for an internal administrative process to manage utilization, review, evaluation and oversight. These functions would typically be accomplished through a combination of additional Medical Assistance Division (MAD) employees and contractual services. Reimbursement for such administrative expenses in MAD are eligible for a 2 to 1 federal match while equivalent costs paid through a MCO contractual environment are eligible for a 3 to 1 federal match. The different matching requirement would require an extremely efficient MAD operation to achieve savings.

The Human Services Department reports that the result would be a dismantling of a currently well-established system of care. The huge investment in both dollars and effort to establish this system over the last 18 months would be lost.

### **FISCAL IMPLICATIONS**

The fiscal implications are unclear and would be dependent on the design of the new program and the associated operating expenses. HB 651 does not contain an appropriation but there would be considerable FY04 MAD “start up” costs to design and prepare implementation the program.

### **ADMINISTRATIVE IMPLICATIONS**

MAD would need to assume the administrative responsibilities of the program.

**MW/sb/njw**