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## FISCAL IMPACT REPORT

ORIGINAL DATE 1-31-06

SPONSOR Sandoval LAST UPDATED \_\_\_\_\_ HB 356

SHORT TITLE Medicaid Developmental Disabilities Coverage SB \_\_\_\_\_

ANALYST Collard

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$4,000.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB 49, SB 189/SPACS and HB 718  
 Relates to Appropriation in the General Appropriation Act

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
N/A	\$9,651.8	\$9,651.8	Recurring	HSD FFP

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY06	FY07	FY08	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>	N/A	\$476.1	\$476.1	\$952.2	Recurring	General Fund
<b>Total</b>	N/A	\$1,115.1	\$1,115.1	\$2,230.2	Recurring	Federal Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
 Department of Health (DOH)  
 Human Services Department (HSD)

## SUMMARY

### Synopsis of Bill

House Bill 356 appropriates \$4 million from the general fund to DOH for the purpose of increasing the number of people served on the developmental disabilities Medicaid waiver (DD waiver) waiting list by 200 people.

## FISCAL IMPLICATIONS

The appropriation of \$4 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY07 shall revert to the general fund.

DOH indicates in January 2005, there were 3,499 applicants listed on the Central Registry for Services. Based on expenditures from the FY06 budget for DD waiver services and the number of clients currently enrolled in the program, DOH projects that this appropriation will generate funding for approximately 216 individuals, depending upon the age and level of care characteristics of the applicants. This projection assumes that, as authorized under federal guidelines, eight percent of the appropriation (\$320 thousand) would be used for program infrastructure and participant supports rather than for new allocations.

Using the DOH average of \$16,450 from the general fund per client per year, LFC calculates the department could increase the number of people served on the DD waiver by approximately 243 clients.

According to an HSD/MAD ad hoc report of census data for clients served on the DD waiver that reflects claims adjudicated as of January 6, 2006, there were 3,521 preexisting DD Waiver clients receiving services at the beginning FY06. According to DOH approximately 190 additional individuals are projected to receive DD waiver services in FY06. It is estimated that the total number of individuals to receive DD waiver services for FY06 is approximately 3,711. HSD indicates it is important to note that 3,711 is only an estimate of the number of individuals to receive DD waiver in FY06. The actual number depends on the total number of individuals who leave the waiver through attrition and the total number of crisis allocations that are made during FY06. Generally, about 70 individuals leave the DD waiver each year due to attrition and 25 additional crisis allocations are made each year.

DOH also indicates, through the current process of matching state funds with federal Medicaid dollars at a rate of approximately 28 percent state to 72 percent federal, the direct service portion of the appropriation (\$3,680 thousand will generate approximately \$9,462.9 thousand in federal dollars. The 8 percent set aside for program infrastructure and participant support (\$320 thousand) will generate an additional \$320 thousand in federal matching funds, at the 50% administrative match rate. (Any changes in the federal match rate or structure will impact how much money is generated by the appropriation.) HSD indicates the appropriation \$9,651.8 thousand in federal matching funds for a total of \$13,651.8 thousand in available funds. HSD/MAD estimates that the appropriation would provide services to approximately 188 additional individuals.

HSD calculations note DOH would apply an 8 percent administrative cost to the \$4 million appropriation. The remaining \$3,860 thousand and \$9,788.2 thousand from FFP would be desig-

nated for services, for a total of \$13,648.2 thousand.

HSD states the \$4 million appropriation in this bill would be eligible for either Medicaid FFP or 50/50 federal administrative match according to the distribution by service and administrative costs. HSD estimates the federal match at a total of \$9,651.8. Based on the allocation and federal match, HSD also estimates that approximately 188 additional people would be served from the DD waiver waiting list. This bill would have a positive impact on the wait list litigation by reducing both the number of persons on the central registry wait list and the length of time persons spend on the wait list.

HSD indicates the additional individuals on the DD waiver would impact the HSD operating budget. Each individual on the waiver becomes eligible for Medicaid state plan services. The average cost of Medicaid State plan (non-waiver) services for individuals on the DD waiver is \$7,356 per year based on FY05 costs. If the additional 200 individuals received DD Waiver services, additional costs to HSD in Medicaid non-waiver services would be \$1,471.2 thousand (\$416 thousand from the general fund and \$1,055.1 from Federal Financial Participation [FFP]). HSD indicates the appropriation would not cover these costs.

In addition to the cost of Medicaid state plan services described above, HSD would also have a fiscal impact of \$120 thousand in administrative costs (\$60 thousand from the general fund and \$60 thousand from 50/50 federal administrative match), in order to implement this bill. The impact includes:

HSD, Income Support Division (ISD) would have added costs for staff to conduct additional determinations for initial and annual Medicaid eligibility. Each ISD full-time equivalent (FTE) can service approximately 250 waiver recipients. An additional 0.75 FTE would be required by ISD to provide financial eligibility determinations for the additional 200 waiver recipients. The cost of the 0.75 FTE is \$60 thousand per year. These positions are eligible for federal administrative matching funds at 50/50 (\$30 thousand from the general fund and \$30 thousand per year from federal administrative match).

The Medicaid Utilization Review (UR) contractor would have added costs to determine client level of care and data enter Individual Service Plans. Using FY 05 base costs, the UR contractor costs would increase by \$40 thousand per year, half from the general fund and half from federal administrative match.

HSD, Medical Assistance Division (MAD) would have added costs to provide oversight of the program. Approximately 0.25 FTE would be needed to provide the oversight for a total cost of \$20 thousand, half from the general fund and half from federal administrative match.

The total cost to HSD to implement HB 356 including Medicaid State plan services, ISD, UR, and HSD/MAD administrative costs is \$1,591.2 (\$476.085 GF and \$1,115.1 Federal administrative match and FFP.)

### **SIGNIFICANT ISSUES**

HSD indicates there is a wait time of approximately five years before receiving an allocation for the DD waiver.

Additionally, HSD states, while this bill appropriates funds to DOH to reduce the wait list for the DD waiver, it does not appropriate any funds to HSD to cover the costs of Medicaid state plan services to which the new waiver recipients are entitled.

### **ADMINISTRATIVE IMPLICATIONS**

DOH notes in FY07, additional FTE may be needed to enable the Department Developmental Disabilities Supports Division (DDSD) and the Division of Health Improvement (DHI) to:

- Ensure that the management standards mandated by federal law for the Central Registry and the Medicaid processes are upheld;
- Oversee and ensure effective service delivery;
- Provide training/technical assistance to individuals served and community service agencies.

DHI estimates it would require an additional 10 FTE for every 300 new participants in order to maintain current caseloads in the Incident Management Bureau (IMB) and to handle a larger sample size for its current provider program review functions within the Quality Management Bureau (QMB).

There would also be administrative and fiscal impacts to HSD for: 1) ISD staff to conduct additional determinations for initial and annual Medicaid eligibility; 2) the Medicaid Utilization Review contractor to determine client level of care and data enter Individual Service Plans; and 3) HSD/MAD to provide oversight of the program.

HSD/MAD has programmatic oversight of the DD waiver. The DD waiver application, to be approved by CMS by June 2006 for implementation on July 1, 2006, would have to be amended to accommodate the higher expenditures and recipient count. HSD/MAD would have to adjust the Medicaid UR contractor's budget to ensure coverage of the cost of additional reviews. Program oversight and UR contract oversight would also be impacted. HSD/ISD would have to complete additional financial eligibility determinations and provide other support to the additional individuals.

### **RELATIONSHIP**

House Bill 356 relates to Senate Bill 49, which appropriates \$3.15 million from the general fund to DOH to increase the DD waiver program provider rate reimbursements; and the Senate Public Affairs Committee substitute for Senate Bill 189 (and its duplicate, House Bill 718) which appropriates \$59 million from the general fund to a new fund appropriated to HSD to serve additional Medicaid waiver clients until 2010.

### **TECHNICAL ISSUES**

HSD suggests the bill should be amended to specify that 3,711 individuals are estimated to receive DD waiver services during FY06. This number would serve as a baseline number to allow a more accurate determination of how many additional individuals received services in FY07.