HB 18-1136

Legislative Council Staff
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FISCAL NOTE

Drafting Number:	LLS 18-0258	**Date:**	January 24, 2018
Prime Sponsors:	Rep. Pettersen Sen. Priola; Jahn	**Bill Status:**	House Public Health Care and Human Services
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Bill Topic: SUBSTANCE USE DISORDER TREATMENT

Summary of Fiscal Impact:

- ☐ State Revenue
- ☒ State Expenditure
- ☐ State Transfer
- ☐ TABOR Refund
- ☐ Local Government
- ☐ Statutory Public Entity

The bill adds inpatient and residential substance use treatment as a Medicaid benefit. This will increase state expenditures, including one-time costs to seek federal approval of the new benefit, and ongoing service costs for the new benefit conditional upon federal approval.

Appropriation Summary: The bill requires an appropriation of $473,655 to the Department of Health Care Policy and Financing in FY 2018-19.

Fiscal Note Status: The fiscal note reflects the introduced bill, which was recommended by the Opioid and Other Substance Use Disorders Interim Study Committee.

Table 1
State Fiscal Impacts Under HB 18-1136

		FY 2018-19	FY 2019-20	FY 2020-21
Revenue		-	-	-
Expenditures	General Fund	$155,193	$148,745	$34,243,205
	Cash Funds	$81,634	$78,242	$11,554,286
	Federal Funds	$236,828	$226,987	$128,359,478
	Centrally Appropriated	$20,326	$27,101	$27,101
	Total	**$493,981**	**$481,075**	**$174,184,070**
	Total FTE	**1.5 FTE**	**2.0 FTE**	**2.0 FTE**
Transfers	**Total**	-	-	-

Summary of Legislation

This bill adds inpatient and residential substance use disorder treatment as a benefit under the Colorado Medicaid Program, conditional upon federal approval. The Department of Health Care Policy and Financing (HCPF) must seek necessary federal approval by October 1, 2018. If the new benefit is enacted, the bill requires that managed service organizations contracted by the Office of Behavioral Health reprioritize Marijuana Tax Cash Fund funding for persons who are not eligible for substance use treatment under public or private insurance.

Background

Under current law, Medicaid primarily provides substance use disorder treatment and other behavioral health services for clients through a managed care model operated by five regional-based behavioral health organizations (BHOs). The BHOs receive a fixed per member payment for all Medicaid clients in their area that is used to serve any Medicaid client who has a need for behavioral health services. A total of $616 million was appropriated statewide for all services through the BHOs in FY 2017-18. In some situations, substance use disorder treatment may be paid outside of the BHOs through the regular Medicaid benefit. For example, medication-assisted treatment for opioid use disorders may be covered under the Medicaid pharmacy benefit depending on the type of medication. In addition, Medicaid covers inpatient treatment that is provided for persons with an acute medical condition involving a substance use disorder, as well as for children and youths.

For persons who are not covered by Medicaid or private insurance, the Office of Behavioral Health in the Department of Human Services provides behavioral health services, including substance use disorder treatment, through a network of contracted managed service organizations.

Assumptions

To implement the new substance use disorder treatment benefit, the fiscal note assumes that:

- HCPF is required to seek a Section 1115 waiver from the federal government to implement the inpatient treatment benefit under Medicaid and new staff for seeking the waiver will be hired starting September 1, 2018;
- two years will be required to seek federal authorization and design the new benefit; and
- the inpatient and residential substance use disorder treatment benefit will begin on July 1, 2020.

Additionally, in terms of service costs, it is assumed that 149,200 adults on Medicaid in FY 2020-21 have a diagnosed substance use disorder. Of this, it is assumed that around 11 percent (17,000 clients) will be eligible and choose to seek inpatient or residential treatment. Based on information included in the report to the General Assembly under House Bill 17-1351, the average cost for persons using the inpatient substance use treatment benefit will be $10,588 per year.

State Expenditures

The bill increases expenditures in HCPF by $493,981 and 1.5 FTE in FY 2018-19, $481,075 and 2.0 FTE in FY 2019-20, and $174.2 million in FY 2020-21. The costs in the first two years reflect planning expenses and costs associated with seeking federal authorization to implement the new inpatient substance use treatment benefit. Costs in FY 2020-21 include the service costs under the new benefit and ongoing administrative expenses and are conditional upon federal approval. These costs are summarized in Table 1 and discussed below.

Table 2
Expenditures Under HB 18-1136

	FY 2018-19	FY 2019-20	FY 2020-21
Dept. of Health Care Policy and Financing			
Personal Services	$102,750	$137,000	$137,000
Operating Expenses and Capital Outlay Costs	$10,831	$1,900	$1,900
Contractor and Actuarial Costs	$225,000	$150,000	$150,000
Travel and Conferences	$95,074	$95,074	-
Printing and Training Material	$40,000	$40,000	-
Facility Licensing Costs	-	$30,000	$60,000
Inpatient and Residential Treatment	-	-	$179,996,000
Current Treatment Services Offset	-	-	($6,127,931)
Centrally Appropriated Costs*	$20,326	$27,101	$27,101
FTE – Personal Services	1.5 FTE	2.0 FTE	2.0 FTE
Total Cost	**$493,981**	**$481,075**	**$174,244,070**
Total FTE	**1.5 FTE**	**2.0 FTE**	**2.0 FTE**

** Centrally appropriated costs are not included in the bill's appropriation.*

Personal services. To oversee the waiver process, conduct stakeholder and provider outreach, and manage the ongoing benefit once approved by the federal government, HCPF requires 2.0 FTE. Personal service costs, as well as standard operating and capital outlay expenses, for these staff are shown in Table 1 above.

Contractor and actuarial services. When seeking federal approval, HCPF will use a contractor at a cost of $150,000 for three years to conduct financial analyses on waiver costs and savings in order to demonstrate budget neutrality of the Section 1115 waiver request to the federal government. In the first year, an additional $75,000 is required for actuarial analysis. These costs are based on contractor costs for waivers of similar scope and complexity.

Stakeholder outreach, travel, and printing. The federal Medicaid waiver process requires extensive stakeholder and community outreach throughout the state. During the two year waiver process, it is assumed that HCPF staff will conduct 14 stakeholder and community conferences per year throughout the state (two meetings per year in each of the seven Medicaid regions of the state). These conferences will involve outreach with Medicaid clients, family members, providers, jails, counties, and other community organizations. Each conference is

assumed to last three days and cost $4,871 for meeting space rental, supplies, and teleconferencing services, resulting in a cost of $68,194 per year in FY 2018-19 and FY 2019-20. Staff travel, lodging, and per diem is estimated to cost $26,880 per year for three staff persons to attend these stakeholder conferences. Printing of materials for these conferences, as well as training materials for county staff and others, is estimated at $40,000 per year in FY 2018-19 and FY 2019-20.

Inpatient and residential treatment. Based on the assumptions listed above, the inpatient and residential substance use disorder treatment benefit is anticipated to cost $180 million per year starting in FY 2020-21, conditional upon federal approval. Exact treatment costs will vary depending on the exact terms of the benefit (i.e., allowable numbers of days in treatment, provider rates, prior authorization process, etc.) and number of Medicaid clients who utilize its services. The costs of the new benefit are offset by $6.1 million in existing spending on a limited number of clients who currently receive inpatient or residential substance use treatment services and who will instead be served under the broader benefit.

Facility licensing costs. It is assumed that creation of the new inpatient substance use disorder treatment benefit will lead to additional providers and facilities entering the market. The fiscal note assumes up to 20 new facilities must be licensed by the Office of the Behavioral Health in the Department of Human Services, the costs of which would be paid using reappropriated funds from HCPF. The cost for staff to license and inspect these facilities is estimated at $3,000 per facility, including staff time, travel costs, and other expenses, resulting in a total cost of $60,000 per year. A half-year impact is estimated for FY 2019-20 as facilities are assumed to phase in operations prior to the start on the new benefit.

Medicaid cost savings. To the extent inpatient and residential treatment are more effective than existing treatment options for certain clients, then Medicaid may have costs savings. For example, if persons enter and stay in recovery from substance use disorders, then Medicaid will spend less on repeat instances of substance use treatment, emergency care associated with overdose, and long-term medical costs associated with substance use disorders. An estimate of these potential savings is not available at this time.

Other behavioral health savings. The Office of Behavioral Health in the Department of Human Services is expected to have reduced spending for substance use treatment for clients who will instead seek treatment under the new Medicaid benefit. Given the overall demand for services and provider funding, it is assumed that any savings will be reprioritized toward other eligible purposes.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and are projected to be $20,326 in FY 2018-19, $27,101 in FY 2019-20, and $27,101 in FY 2020-21 for employee insurance and supplemental retirement payments.

Technical Note

The bill requires HCPF to seek federal approval by October 1, 2018. However, given the time required to hire staff, prepare waiver submission documents, and other tasks, HCPF will likely be unable to prepare a federal waiver application by this deadline. The fiscal note assumes that HCPF will apply for a federal waiver by February 1, 2019.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2018-19, the bill requires an appropriation of $473,655 to HCPF, of which $155,193 is General Fund, $81,634 is from the Hospital Affordability and Sustainability Fee Fund, and $236,828 is federal funds. HCPF also requires an allocation of 1.5 FTE.

State and Local Government Contacts

Counties	Health Care Policy and Financing
Human Services	Information Technology
Law	