



**Colorado  
Legislative  
Council  
Staff**

**Bill 5**

**FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 18-0258  
**Prime Sponsor(s):**

**Date:** October 30, 2017  
**Bill Status:** Opioid and Other Substance Use Disorders Interim Study Committee Bill Request

**Fiscal Analyst:** Bill Zepernick (303-866-4777)

**BILL TOPIC:** SUBSTANCE USE DISORDER TREATMENT

Fiscal Impact Summary	FY 2018-2019	FY 2019-2020	FY 2020-2021
<b>State Revenue</b>			
<b>State Expenditures</b>	<b>\$491,569</b>	<b>\$477,860</b>	<b>\$173,032,786</b>
General Fund	154,469	147,779	47,948,589
Cash Funds	81,254	77,735	4,402,240
Federal Funds	235,722	225,514	120,655,125
Centrally Appropriated Funds	20,124	26,832	26,832
<b>FTE Position Change</b>	1.5 FTE	2.0 FTE	2.0 FTE
<b>Appropriation Required:</b> \$471,445 - Department of Health Care Policy and Financing (FY 2018-19).			
<b>Future Year Impacts:</b> Ongoing expenditure increase.			

**Note:** Pursuant to House Bill 17-1351, the Department of Health Care Policy and Financing is currently preparing a report to the Joint Budget Committee on the costs of providing inpatient substance use disorder treatment. Therefore, the service costs identified in this analysis for FY 2020-21 and beyond are preliminary. This fiscal note may be updated once information in that report is available for consideration.

**Summary of Legislation**

This bill, *requested by the Opioid and Other Substance Use Disorders Interim Study Committee*, 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.

**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.

**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;
- 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 13 percent (19,400 clients) will be eligible and choose to seek inpatient or residential treatment. Based on the experience of West Virginia implementing a similar benefit, the average cost for persons using the inpatient substance use treatment benefit will be \$8,900 per year

**State Expenditures**

The bill increases expenditures in HCPF by **\$491,569 and 1.5 FTE in FY 2018-19, \$447,860 and 2.0 FTE in FY 2019-20, and \$172,972,786 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 reflect a preliminary estimate of 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.

<b>Table 1. Expenditures Under Bill 5.</b>			
<b>Cost Components</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
Personal Services	\$100,540	\$134,054	\$134,054
FTE	1.5 FTE	2.0 FTE	2.0 FTE
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	0
Printing and Training Material	40,000	40,000	0
Facility Licensing Costs	0	30,000	60,000
Inpatient and Residential Treatment	0	0	172,660,000
Centrally Appropriated Costs*	20,124	26,832	26,832
<b>TOTAL</b>	<b>\$491,569</b>	<b>\$477,860</b>	<b>\$173,032,786</b>

<b>Table 1. Expenditures Under Bill 5. (Cont.)</b>			
<b>Cost Components</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>General Fund</b>	<b>154,469</b>	<b>147,779</b>	<b>47,948,589</b>
<b>Hospital Affordability and Sustainability Fund</b>	<b>81,254</b>	<b>77,735</b>	<b>4,345,786</b>
<b>Breast and Cervical Cancer Fund</b>	<b>0</b>	<b>0</b>	<b>56,454</b>
<b>Centrally Appropriated Costs</b>	<b>20,124</b>	<b>26,832</b>	<b>26,832</b>
<b>Federal Funds</b>	<b>235,722</b>	<b>225,514</b>	<b>120,655,125</b>

\* 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 \$172.6 million per year starting in FY 2020-21, conditional upon federal approval. This is a preliminary estimate. The 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.). It is assumed that costs will be adjusted through the annual budget process once more information about the inpatient and residential substance use disorder treatment benefit is known.

**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.

**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.

**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 \$20,124 in FY 2018-19, \$26,832 in FY 2019-20, and \$26,832 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, based on the August 8, 2018, effective date of the bill, 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 August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

### **State Appropriations**

For FY 2018-19, the bill requires an appropriation of \$471,445 to HCPF, of which \$154,469 is General Fund, \$81,254 is from the Hospital Affordability and Sustainability Fee Fund, and \$235,722 is federal funds. HCPF also requires an allocation of 1.5 FTE.

### **State and Local Government Contacts**

Counties  
Human Services  
Law

Health Care Policy and Financing  
Information Technology