



## Fiscal Estimate Narratives

DHS 11/13/2023

LRB Number	23-4990/1	Introduction Number	SB-0635	Estimate Type	Original
<b>Description</b> Medical Assistance coverage of services provided in an institution for mental disease					

### Assumptions Used in Arriving at Fiscal Estimate

This bill amends s. 49.45 (53m) to direct the Department to reimburse services provided to Medical Assistance (MA) beneficiaries in an institution for mental disease (IMD) if federal financial participation is available and certain other requirements are met. Additionally, the bill includes non-statutory language directing the Department to submit a request to the federal Department of Health and Human Services for any waiver or approval necessary to provide MA coverage for MA members who receive services during short-term stays for acute care in psychiatric hospitals or residential treatment settings that qualify as an institution for mental disease. The Department must submit the request or waiver by January 1, 2025.

For Medicaid beneficiaries aged 21 to 64, federal law prohibits the use of federal Medicaid reimbursement for services rendered in IMDs with more than 16 beds. This policy is generally known as the IMD exclusion. To seek federal Medicaid reimbursement for the IMD exclusion group, the Department would need to pursue authority from the Centers of Medicare and Medicaid services through a Section 1115 demonstration waiver.

Under current state statute, Medical Assistance may cover services for individuals at IMDs who are under 21 years of age, are under 22 years of age and who were receiving the services immediately prior to reaching age 21, or are 65 years of age or older. Under s. 49.45 (30r), for Medicaid eligible persons in these age ranges who are civilly committed to Winnebago or Mendota Mental Health Institutes, counties are required to provide the portion of the payment that is not provided by the federal government. Additionally, if the federal waiver is approved, administrative rule DHS 107.03 (15) regarding IMD expenditures would need to be updated.

The bill does not define short-term stays in the non-statutory provisions. In November 2018, CMS issued a memo that states could seek federal financial participation through a federal waiver for service for beneficiaries who are short-term residents in IMDs and who primarily receive mental health treatment. In this letter, CMS also noted that states should achieve a statewide average length of stay of 30 days for those receiving care in IMDs. To date, 11 states (Alabama, DC, Idaho, Indiana, Maryland, New Hampshire, New Mexico, Oklahoma, Utah, Vermont, and Washington) have received an approval of an 1115 demonstration waiver for short-term stays for mental health treatment. Therefore, for the purpose of this bill, the Department will assume short term stays equals an average length of stay of 30 days.

There are two state operated IMDs, Winnebago Mental Health Institute (WMHI) and Mendota Mental Health Institute (MMHI). At these facilities in calendar year 2022, there were a total of 14,583 county-reimbursed patient days that qualified as a short-term inpatient stay under this bill for Medicaid-eligible individuals ages 21 through 64. Counties paid a specific daily rate of \$1,233 for dates of service from January 1, 2022, through September 30, 2022, and \$1,319 for dates of service from October 1, 2022, through December 31, 2022. The total calendar year 2022 cost to counties for short-term stays in state-owned IMDs for Medicaid-eligible individuals ages 21 through 64 was approximately \$19.3 million All Funds. Under the provisions of this bill, it is expected that the federal share of these costs would transfer from the counties to the Medical Assistance program, with counties continuing to pay the non-federal share (roughly 40 percent) and the federal government paying the remainder (roughly 60 percent). Therefore, this would result in a net savings to the counties and a net expense to the federal government.

For this fiscal estimate, Medicaid fee for service (FFS) and health management organizations (HMO) patient days were considered together, due to separated data being unavailable. Medicaid HMOs currently can choose to cover inpatient services in an IMD for a person 22-64 years of age for no more than 15 days during the period of monthly capitation payment in lieu of traditional psychiatric intervention services.

There are 14 psychiatric hospitals throughout the state, with six being owned by a county or coalition of counties. Under the provisions of this bill, these facilities would be able to bill Wisconsin Medicaid for eligible services provided to Medicaid-eligible individuals ages 21 through 64, which is expected to increase costs. However, it is unknown how many Medicaid-eligible individuals in this age range are treated in the 14 facilities currently, and the number served could increase if Medicaid reimbursement becomes available. In addition,

Medicaid HMOs may be funding some inpatient stays for such individuals currently. For these reasons the Department is unable to estimate changes in Medicaid billing and expenditures for these psychiatric hospitals.

In summary, the Department estimates that this bill, if the necessary federal approvals are obtained, would increase annual federal Medicaid reimbursement to Winnebago and Mendota Mental Health Institutes by approximately \$11.6 million FED. Counties would receive a corresponding cost savings of \$11.6 million. Additionally, Medicaid reimbursements to non-state-owned psychiatric hospitals would increase by an indeterminate amount. For this reason, the overall fiscal effect of the bill is indeterminate.

### **Long-Range Fiscal Implications**