Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

June, 2023 Joint Committee on Finance Paper #409

Residential Substance Use Disorder Treatment Room and Board Funding (Health Services -- Medical Assistance -- Eligibility and Benefits)

[LFB 2023-25 Budget Summary: Page 247, #16]

CURRENT LAW

The Medical Assistance (MA) program currently provides coverage of residential substance use disorder (SUD) treatment for individuals who need a 24-hour, structured environment that is removed from their normal social routine. However, mirroring restrictions on federal matching funds, MA only covers treatment costs, not room and board costs incurred during treatment.

MA currently covers residential SUD treatment when medically necessary, as determined by the acuity of the patient's substance use disorder and the stability and supports available to them outside of a residential facility. Facilities that provide residential treatment must be licensed by the Department of Health Services (DHS) as either a transitional residential treatment service or a medically-monitored treatment service. A transitional residential treatment service is defined as a 24-hour residential setting supervised by a physician or prescriber knowledgeable in addiction and providing each patient at least six hours of treatment services per week. Treatment services can include evaluations, medication management, counseling, therapies, supportive services, and other services. A medically-monitored treatment service is defined as a 24-hour clinical residential setting with a qualified medical director, providing at least 20 hours per week of treatment services to each patient, including services for higher-acuity substance use disorders and co-occurring mental health disorders.

MA provides residential substance use disorder (SUD) treatment under two separate circumstances. Some MA beneficiaries have been able to access residential treatment since May 1, 2017, as part of the comprehensive community services (CCS) benefit. CCS gives counties the option to offer a variety of psychosocial rehabilitation and support services as MA benefits. Beginning February 1, 2021, a new benefit expanded the range of eligible providers and covered

MA recipients who are not enrolled in a county CCS program. Specifically, this new benefit takes advantage of a federal waiver that allows substance abuse services to be provided as an MA benefit for non-elderly adults in an institution for mental disease (IMD), in addition to previously-eligible facilities. An IMD is a larger facility, with over 16 beds, that is primarily engaged in the diagnosis and treatment of mental disorders, including substance use disorders; federal law otherwise restricts Medicaid coverage to mental or behavioral health facilities with 16 beds or fewer, or to a general hospital.

Federal law excludes residential room and board costs from eligibility for federal matching funds, except in the case of inpatient hospital care. Consequently, under current policy, MA provides coverage only for the treatment costs of residential SUD care. MA patients must pay their own room and board costs, unless a county program or charitable organization provides funding. Beginning in January, 2022, DHS has provided grants to counties and Native American tribes and bands to support some of these costs. These grants have been funded by payments received under settlements of opioid-related litigation, including $2.5 million from the settlement with pharmaceutical consultant McKinsey and Company and $2.5 million from the national settlement with distributors Cardinal, McKesson, and AmerisourceBergen and manufacturer Janssen Pharmaceuticals.

DISCUSSION POINTS

1. Assembly Bill 43 and Senate Bill 70 would provide $8,309,500 GPR annually to support the cost of coverage of room and board for MA enrollees receiving residential substance use disorder treatment. Because federal Medicaid funds cannot be used for residential facility room and board costs, this MA benefit, unlike most MA costs, would be funded entirely with GPR.

2. Patients require residential SUD treatment when they have severe or complex substance use disorders, often with co-occurring conditions such as psychiatric disorders or unstable housing. The American Society of Addiction Medicine standards that are used to identify need for this care indicate that these patients are at high risk of immediate relapse, continued use, harm to themselves or others, and in some cases death, unless they receive residential SUD treatment.

3. Patients experiencing physiological withdrawal symptoms or other acute medical conditions require monitored detoxification treatment in an inpatient hospital setting before they can be safely discharged to a residential SUD treatment facility.

4. Residential SUD treatment provides individual, family, and group counseling and therapy, medication management, nursing services, case management, peer support, and recovery coaching, for a total of at least twenty hours per week for high-intensity patients and six hours per week for low-intensity or transitional patients. Of recent MA admissions, 75% have been for high-intensity patients. In addition to direct treatment services, the safe and stable living environment gives patients the opportunity to stabilize and develop recovery skills. High-intensity patients require an average of three weeks of care, while low-intensity patients typically receive five weeks of care before they can be discharged, although some episodes of care have lasted as long as thirteen weeks. Discharge decisions are based on clinical evaluation of a patient and their particular circumstances,

and MA coverage policy allows members to receive care as long as is medically necessary.

5. During 2021-22 there was an average caseload of 336 MA enrollees receiving residential SUD treatment at any given time. Based on an estimated average stay of four weeks, this would correspond to about 4,400 MA patients served per year.

6. Indicative of the prevalence of severe SUD in the state, MA paid 8,358 claims for inpatient hospital treatment for alcohol and other drug abuse and dependence in 2021-22, including stabilization and detoxification. While some enrollees received inpatient hospital treatment more than once in the year, approximately 5,700 members required these services at least once. Alcohol abuse and dependence accounted for slightly over half of these patients, opioid abuse and dependence for one quarter, and other substance use disorders for the remaining quarter.

7. Based on 2019 data, approximately 25% of patients receiving inpatient hospital treatment for SUD are readmitted for a second time within a calendar year, and approximately 10% require inpatient SUD treatment three or more times in the year. DHS indicates that improved access to residential SUD treatment, especially after a patient has already received inpatient detoxification treatment, could improve patients' recovery and decrease the likelihood of relapse and the need for hospital treatment.

8. A systematic research review supported by the federal Substance Abuse and Mental Health Services Administration (SAMHSA) and published by *Psychiatric Services* in March, 2014, finds evidence that residential SUD treatment can reduce alcohol and drug relapse, reduce crime rates, reduce suicide rates, improve quality of life, and improve social and community functioning. However, results varied between treatment populations, specific interventions, and study methodologies. A study published in the *Journal of Addictive Diseases* in October, 2008, found that, among patients recommended for residential treatment, those who received it were 1.7 times more likely to remain sober after one year compared to those who received lower levels of treatment.

9. In a 2020 report produced with grant funding from the U.S. Department of Justice, the National Alliance on Mental Illness finds that, "without an effective mental health system, communities have relied on the criminal justice system to provide mental health care and as a result, every year over 2 million people with mental illness are booked into America’s jails and prisons." The Wisconsin Department of Corrections contracts for approximately 150 beds in residential SUD treatment facilities across the state to provide SUD treatment for probationers, parolees, offenders on extended supervision, or intensive sanctions inmates, at an annual cost of approximately $6 million.

10. Research published in *Psychiatric Services* in May, 2019, reports that "the high prevalence of homelessness among individuals with a substance use disorder, frequent and repeated use of emergency department services, extended boarding in emergency rooms, and frequent readmission to the hospital all indicate unmet need for residential services." The researchers identify insufficient access among Medicaid members in particular.

11. DHS reports that many residential treatment providers are reluctant to accept MA patients without a consistent source of funding for room and board. Providers have expressed that doing so would be unsustainable financially. The facilities that accept MA patients may have waitlists,

and county officials indicate that this delay poses a significant barrier for some patients; severe substance used disorders often prevent patients from remaining ready and committed to receiving care for the duration of the waiting period.

12. Prior to the grant funding supported by opioid settlement funds, counties were the most common source of room and board funding for MA patients to receive residential SUD treatment. Many counties provide some funding for this purpose, supported by local tax levy or grant funding, but they typically do not guarantee funding to all MA patients who meet the MA conditions of eligibility for residential SUD treatment. Instead, most counties place a variety of additional restrictions and conditions on which patients may receive county funding, and may implement waiting lists. Because access to room and board funding is dependent upon individual county policies and funding, there can be considerable variation in access to residential SUD treatment within the state.

13. When county funding for room and board is unavailable, few MA members with substance use disorders have the resources to pay these costs themselves. This does happen in occasional cases, however, most often with financial support from family and friends.

14. As well as removing a financial barrier, counties indicate that state funding for room and board would streamline patients' access to residential SUD treatment; currently, people rely on county human services departments for placement, but the availability of state room and board reimbursement would allow patients to seek care directly, opening more avenues to connect patients with treatment providers and removing administrative barriers.

15. The variety of ways that other states and local governments choose to fund residential SUD treatment limits the ability to make direct comparisons of Wisconsin's policy to other states. For instance, a state may not provide funding for room and board costs directly, but may nevertheless support this cost indirectly, through general aid to local government human services agencies. Based on available data for neighboring states, however, Iowa and Michigan do not provide direct state funding for room and board costs of treatment but Minnesota does.

16. Providing MA coverage for room and board costs could impact the MA budget in three distinct ways: the room and board reimbursement itself would represent a new GPR cost, the improvement in access would likely lead to increased utilization and hence increased GPR and FED reimbursement costs, and the increase in residential SUD treatment would likely reduce the need for certain other services, such as emergency room care and inpatient detoxification treatment, reducing GPR and FED reimbursement costs.

17. The additional cost resulting from the reimbursement itself is the most straight-forward component to estimate, although it could vary depending on the final reimbursement amount and the total utilization of residential SUD treatment. The administration estimates that reimbursement for room and board costs would be $63 per day, the average rate currently paid by county programs. A 10% increase in utilization over the 2021-22 average would give an average caseload of 370, for a total annual cost of $8.5 million GPR.

18. Several other factors influence the overall fiscal effect of increasing access to residential SUD treatment, with various degrees of uncertainty, including what percentage of members receiving

residential treatment would otherwise have required detoxification treatment or other MA services, how many additional readmissions could be prevented beyond the first year analyzed here, and to what degree the need for other services, such as emergency room care, could be prevented. The Administration estimates that reductions in the usage of more expensive services would offset the treatment costs for the increased usage of residential SUD treatment and 25% of the room and board costs of the expanded population. This would reduce the new room and board costs to $8.3 million.

19. In counties that currently provide some room and board funding, county officials report one motivation for doing so is to prevent the need for admissions into residential assisted living facilities, the state mental health institutes, or other intensive care. Counties are generally responsible for the costs for such treatment, or at least the non-federal share of certain MA-funded services, meaning that improved access to residential SUD treatment for MA beneficiaries could have a positive fiscal impact on counties as well. Counties would also likely reduce expenditures of county funds for room and board costs. County officials indicate that these savings would likely be reinvested in behavioral health services to meet a rising need for crisis services, to continue to provide treatment to uninsured residents, and to improve preventative interventions.

20. As noted earlier, the Department is providing grants for room and board costs using opioid settlement funds, although this may not be a reliable source of funding on an ongoing basis. Payments from the settlements with pharmaceutical distributors (Cardinal, McKesson, and AmerisourceBergen) and with Jansen Pharmaceuticals were much higher in the first year than in subsequent years, going from $31.0 million in 2022-23 to $8.0 million in 2023-24. Consequently, not all opioid mitigation services that were supported initially with these funds will be funded on an ongoing basis. In addition, since settlement funds must be used specifically for opioid mitigation strategies, there may be some question of whether this is an appropriate ongoing source for residential SUD treatment room and board if a substantial proportion of clients are receiving treatment for alcohol use disorder or non-opioid addictions.

21. To provide state funding for room and board costs of residential SUD treatment as an MA benefit, the Committee could provide $8,309,500 GPR annually as proposed under AB 43/SB 70. Coverage would be estimated to take effect July 1, 2023. [Alternative 1]

22. To provide time for DHS to implement reimbursement rates and policies, and in consideration of the opioid settlement funding available for a portion of these costs in the short term, the Committee could provide a lesser amount of funding with the expectation that the effective date of coverage of room and board costs as an MA benefit would be delayed. For example, coverage could begin in July of 2024. [Alternative 2]

23. The Committee may determine that room and board costs should continue to be a county responsibility and take no action. In this case, counties would continue to determine the amount of funding allocated for this purpose, weighing the costs and benefits alongside other county priorities. [Alternative 3]

ALTERNATIVES

1. Provide $8,309,500 annually in the GPR appropriation for Medical Assistance to support the room and board costs of MA enrollees receiving residential substance use disorder treatment. Specify that room and board costs for residential substance use disorder treatment is a reimbursable service category under MA. Coverage would be estimated to take effect July 1, 2023.

ALT 1	Change to Base
GPR	$16,619,000

2. Provide $8,309,500 in 2024-25 in the GPR appropriation for Medical Assistance to support the room and board costs of MA enrollees receiving residential substance use disorder treatment. Specify that room and board costs for residential substance use disorder treatment is a reimbursable service category under MA. Specify that these provisions would take effect July 1, 2024.

ALT 2	Change to Base
GPR	$8,309,500

3. Take no action.

Prepared by: Carl Plant