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FISCAL IMPACT REPORT

SPONSOR <u>Cates</u>	LAST UPDATED _____
	ORIGINAL DATE <u>1/19/24</u>
SHORT TITLE <u>Medicaid Environmental Modification Services</u>	BILL NUMBER <u>House Bill 26</u>
	ANALYST <u>Chenier</u>

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$5,229.9	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$18,043.1		\$18,043.1	Recurring	Federal funds

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
 Health Care Authority (HCA)

SUMMARY

Synopsis of House Bill 26

House Bill 26 appropriates \$5.2 million from the general fund to the Health Care Authority (HCA) to increase the recommended limit on environmental modification services for eligible Medicaid recipients to \$15 thousand.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The appropriation of \$5.2 million contained in this bill is a recurring expense to the general fund.

Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

HCA provided the following:

Environmental modifications are recurring every five years. Using the FY25 Federal Medical Assistance Percentage (FMAP) of 28.32 percent, the \$5.2 million general fund appropriation would generate \$18 million in federal matching dollars for a total expenditure of \$23.3 million annually. There are approximately 28,500 members in the Community Benefit (CB) Program who would be able to access the proposed \$9,000 increase in their five-year environmental modification allowance. There is a potential \$256.5 million increase in costs for five years. It should be noted that HCA has received CMS approval to increase CB slots, which could result in 2,000 additional members entering the program over the next five years.

Additionally, there are 7,648 participants in the Developmental Disabilities Medicaid Waiver (DDW) program who would be able to access the proposed \$10 thousand increase in their 5-year environmental modification allowance. There is a potential \$68.8 million increase in costs for 5 years. Under the DDW programs, it is expected that at a minimum, 5,000 additional participants will enter the program over the next five years.

SIGNIFICANT ISSUES

HCA provided the following:

No data has been provided to support the need for a \$10 thousand increase every five years for DDS and \$9,000 for the community benefit. DDS uses contractors for rate re-basing studies to determine the need for rate changes. For the community benefit program, the current limit is \$6,000 every five years, and the benefit is approved, paid for, and monitored by the Medicaid managed care organizations.

The bill does not specify which waivers this increase would impact. There are four waivers that offer this service, including the Centennial Care Community Benefit.

The Centers for Medicare and Medicaid Services (CMS) must approve requests for rate increases. Due to existing waiver amendments, it may not be possible to submit this amendment request by July 1, 2024. Therefore, the two subsequent report dates of August 2024 and February 2025 may need to be adjusted.

Over 700 individuals are still in the process of entering the waiver programs based on ending the waiting list. The appropriation would not support the total population once all 700 plus individuals are in the program and receiving services.

With new people entering the DDS and Medicaid waiver programs annually, the appropriation will need to increase annually to support the growing program.

ADMINISTRATIVE IMPLICATIONS

HCA provided the following:

Additionally, rate increases would require approval from the federal Centers for Medicare and Medicaid Services (CMS) before they could be implemented. This process may take up to six months to complete for programs under the DDW waiver authority and up to a year for programs under the Medicaid waiver authority.

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