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FISCAL IMPACT REPORT

SPONSOR: Lyons DATE TYPED: 02/06/01 HB _____
 SHORT TITLE: Developmental Disabilities Services SB 20
 ANALYST: Dunbar

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	\$ 9,000.0			Recurring	General Fund
		Significant - See Narrative		Recurring	Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB2

SOURCES OF INFORMATION

Department of Health

SUMMARY

Synopsis of Bill

SB 20 would appropriate \$9 million from the general fund to the Department of Health for expenditure in fiscal year 2002. Of that total, \$6 million is to provide developmental disabilities services to unserved individuals and \$3 million is to provide increased reimbursement rates for developmental disabilities providers.

Significant Issues

The Department of Health reports that as of July 2000, there was an expressed demand for services by about 2190 individuals with developmental disabilities on the Department of Health DD Central Registry and that not all of these individuals are unserved. Moreover, DOH indicates that providers are facing significant challenges in recruiting and retaining qualified direct care staff and that the rate of pay is one of the issues for this shortage.

FISCAL IMPLICATIONS

SB 20 appropriates \$9,000.0 in general fund to the Department of Health for expenditure in fiscal year 2002. Of that total, \$6.0 million is to provide developmental disabilities services to unserved individuals and \$3.0 million is to provide increased reimbursement rates for developmental disabili-

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ties providers. Any unexpended or unencumbered balance remaining at the end of fiscal year 2002 shall revert to the General Fund..

SB 20 does not designate how the funds will be leveraged and the fiscal impact ranges vary. However, DOH provided the following analysis on the additional funds contained in the bill:

- If the funds were used solely for the developmental disabilities Medicaid waiver, then federal funds would be leveraged to increase the number of individuals served. If the full \$6.0 million were used to expand the DD Medicaid waiver, then an additional \$16.5 million in federal funds would be available to serve individuals. This would serve about 403 individuals at an average annual plan of care cost of \$55,775 (cost as of the end of SFY 00).
- The \$3.0 million for providers would leverage an additional \$8.2 million in federal funds.
- The total program expansion would be \$33.7 million.

ADMINISTRATIVE IMPLICATIONS

There is no funding for administration of a higher caseload by the Department of Health.

The level of expansion would have a significant impact on the Long Term Services Division and the Division of Health Improvement. DOH notes that since 1997 the DD waiver has grown by 25 percent without an increase in staff support. The proposed increase would add an additional 403 individuals to the system without the administrative capacity to support such an expansion.

RELATIONSHIP

House Bill 2 as prepared by the LFC has \$3,741.9 in general fund in base expansion to fund 275 people on the waiting list for services. This general fund will leverage \$11,000.0 in federal funds. Also included in HB2 is \$1,341.5 in general fund for DD provider rate inflation.

TECHNICAL ISSUE

Senate Bill 20 is not specific as to the use of the funds. This needs to be clarified because the Department of Health administers both a state general fund program as well as the DD Medicaid waiver for individuals with Developmental Disabilities. This clarification should apply to the entire \$9.0 million appropriation.

OTHER SUBSTANTIVE ISSUE

The following are several issues with this appropriation identified by DOH:

1. First, the amounts in this bill exceed the Executive budget request. The Executive budget contains \$3,850,000 for the purpose of serving additional individuals on the DD Medicaid waiver. This figure was derived by examining the capacity in the system to absorb additional individuals as well as to address health and safety and service delivery concerns. The Executive budget request also contained about \$1.0 million in the base budget to address a cost of living adjustment to DD waiver rates. The increase is based on the need to remain cost effective and stay consistent with the increases granted to intermediate care facilities for the mentally retarded (ICF/MR). Finally, the Executive budget request recognized the need to expand the administrative effort for these waivers and recommended funding for 2.5 FTE for

the Long Term Services Division and 3.5 for the Division of Health Improvement. Thus, this request greatly exceeds the Executive budget request.

2. The \$3.0 million request to adjust provider rates would create serious problems with the cost effectiveness of the DD waiver. The proposed funding would increase the average annual plan of care costs by about \$4,200 per individual on the waiver. This would raise the average cost per plan to \$59,900, a rate that cannot be supported under the currently approved waiver. In order to be able to maintain this level of cost, the same level of increase would need to be given to the ICF/MR as those are the institutional costs that are used by the Health Care Financing Administration to evaluate the cost effectiveness of the DD waiver. Under federal law and regulation, the cost of serving individuals through the waiver cannot exceed what would be paid if the individual were served in an institution. In addition, as the cost per plan of care increases, it is more costly to add additional individuals to the waiver.

AMENDMENTS

The intent of the funding needs to be clarified. If the funding is intended to be used for leveraging Medicaid funds through the DD waiver, the bill should state this explicitly.

BD/ar