

HF1194 - 0 - "Modify Mental Health Svcs Provisions"

Chief Author: **Tony Albright**
 Committee: **Health and Human Services Finance**
 Date Completed: **03/06/2017**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	2,694	4,051	4,078	4,189
Total	-	2,694	4,051	4,078	4,189
Biennial Total			6,745		8,267

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Ahna Minge Date: 3/6/2017 11:59:38 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	2,694	4,051	4,078	4,189	-
Total		-	2,694	4,051	4,078	4,189
Biennial Total			6,745		8,267	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	2,694	4,051	4,078	4,189	-
Total		-	2,694	4,051	4,078	4,189
Biennial Total			6,745		8,267	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total			-		-	

Bill Description

This bill allows for state-only funded MA to replace lost federal revenue for children’s residential mental health treatment in facilities that are determined to be IMDs.

The bill also provides one-time funding for a contracted vendor to support DHS in developing recommendations for creating a more sustainable and community-driven continuum of care for children with serious mental health needs, including those currently being served in residential treatment.

Areas of analysis include, but are not limited to:

- Current Residential Mental Health Treatment for Children with Severe Emotional Disturbance and data related to access, utilization, efficacy and outcomes.
- Potential expansion of the state’s PRTF capacity and further development of this model for treatment. This may include increasing the number of PRTF beds in Minnesota, as well as conversion of existing children mental health residential treatment programs into PRTFs.
- Analysis of the needed capacity for PRTF and other group settings within the state should adequate community-based alternatives be accessible, equitable, and effective statewide.
- Recommendations for further developing alternative community-based service models to meet the needs of children with serious mental health issues who would otherwise require residential treatment and potential service models that could be utilized, including data related to access, utilization, efficacy and outcomes.

The bill requires a report with specific recommendations and timelines for implementation be delivered to the legislature by November 2018.

Assumptions

For children in fee-for-service MA at the time they are placed in a Rule 5 that is determined to be an IMD, the following conditions will apply:

- The child will stay in FFS
- All claims for that child will be state funded until the child is discharged from that facility
- Counties will be billed for their share of the Rule 5 treatment costs by the state
- Counties continue to pay for room and board

For children in managed care at the time they are placed in a Rule 5 that is determined to be an IMD, the following conditions will apply:

- The child will stay in managed care (unless other circumstances require them to be disenrolled)
- Capitation payments to MCOs will be paid with all state funds for any month that the child was in an IMD for more than 15 days
- Counties continue to pay for room and board

It is expected that approximately 79% of Rule 5 beds are in facilities which will be declared IMDs in the second half of 2017. This status will make Rule 5 treatment costs in those facilities ineligible for federal Medicaid matching. (Currently the shares of funding for this service are 50% federal and 50% county.)

Based on experience preparing similar types of reports and recommendations, we assume that we can complete the work in section 3 with a two-year \$250,000 vendor contract.

Expenditure and/or Revenue Formula

	FY 2018	FY 2019	FY 2020	FY 2021
Base forecast: Rule 5 treatment	\$9,923,000	\$10,051,000	\$10,325,000	\$10,606,000
Current federal funding @ 50%	\$4,961,500	\$5,025,500	\$5,162,500	\$5,303,000
Proportion expected to lose federal funding	79.0%	79.0%	79.0%	79.0%
Reduction in federal funding	\$3,919,585	\$3,970,145	\$4,078,375	\$4,189,370
Cost assumed by State-only MA	\$3,919,585	\$3,970,145	\$4,078,375	\$4,189,370
Phase-in for first year	66.7%	100.0%	100.0%	100.0%
Cost with phase-in	\$2,613,057	\$3,970,145	\$4,078,375	\$4,189,370

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2018	FY2019	FY2020	FY2021
GF	33	MA Children & Families	2,613	3,970	4,078	4,189
GF	15	MH Division Vendor Contact	125	125		
GF	REV1	FFP @ 35%	(44)	(44)		
		Total Net Fiscal Impact	2,694	4,051	4,078	4,189
		Full Time Equivalents				

Long-Term Fiscal Considerations

Local Fiscal Impact

The counties would be responsible for the county share of the additional costs.

References/Sources

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