

Revised to include agency response

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

| <b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates) |                     |                |                     |                |
|---|---------------------|----------------|---------------------|----------------|
|   | <b>FY 2013-14</b>   |                | <b>FY 2014-15</b>   |                |
|   | <b>EXPENDITURES</b> | <b>REVENUE</b> | <b>EXPENDITURES</b> | <b>REVENUE</b> |
| GENERAL FUNDS   |                     |                |                     |                |
| CASH FUNDS  |                     |                |                     |                |
| FEDERAL FUNDS   |                     |                |                     |                |
| OTHER FUNDS   |                     |                |                     |                |
| TOTAL FUNDS   |                     |                |                     |                |

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

This bill requires the Department of Health and Human Services to submit a Medicaid state plan amendment or waiver for home and community-based services for children with serious emotional disturbance who have been deinstitutionalized or diverted from a psychiatric hospital level of care. Services shall include but not be limited to attendant care, independent living and skills building, short-term respite care and facilitation of wrap-around services. Wrap-around services mean strength-based, individualized community-based services for a family with a child with a serious emotional disturbance.

The language in this bill is modeled after an approved waiver that Kansas has received. The intent of the bill is to offer lower-levels of services to children who otherwise would be placed in a psychiatric hospital or are being deinstitutionalized. In order for a home and community-based waiver to be approved by the Centers for Medicare and Medicaid, it must be cost neutral. Also, the services offered under the waiver can be limited to only the specific population covered by the waiver.

The report prepared by Hornby Zeller Associates, Inc., the "Assessment of Child Welfare Services in Nebraska," showed that 79 percent of children who experienced at least one residential placement were there in part due to behavioral reasons. The length of stay ranged from 3 days to over 13 months with the most frequent being less than one month. Because the length of stay is on the shorter end, the report states that: "Almost certainly, many of these children could have been accommodated in a less restrictive setting." This is an indication that if services were available, comprehensive and appropriate community-based services could have met the children's needs. The Medicaid waiver required in this bill could provide the funding to pay for that comprehensive array of services.

Although Hornby Zeller report contains much data analysis, further information and analysis is needed to project the fiscal impact of this bill.

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

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Date Prepared:(4) 2-6-13

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|                      | <u>FY 2013-2014</u> |         | <u>FY 2014-2015</u> |         |
|----------------------|---------------------|---------|---------------------|---------|
|                      | EXPENDITURES        | REVENUE | EXPENDITURES        | REVENUE |
| <b>GENERAL FUNDS</b> |                     |         |                     |         |
| <b>CASH FUNDS</b>    |                     |         |                     |         |
| <b>FEDERAL FUNDS</b> |                     |         |                     |         |
| <b>OTHER FUNDS</b>   |                     |         |                     |         |
| <b>TOTAL FUNDS</b>   | See below           |         | See below           |         |

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

**Explanation of Estimate:**

A 1915(c) waiver or a state plan amendment (SPA) under 1915(i) authority of the Social Security Act would be submitted to provide the services specified in the bill. It is difficult to estimate the costs, because the bill does not define Severe Emotional Disturbance, does not specify or define all the services to be provided, and does not specify the level of care for target population, i.e. “diverted from a psychiatric hospital level of care.” Either option (waiver or SPA) expands Medicaid eligibility to children whose family income or resources exceed current eligibility standards.

It is assumed that waiver eligibility will be limited to ages 4 through 18, per current state law regarding children’s Medicaid eligibility. This estimate is based on Magellan data for PRTF and inpatient psychiatric hospital authorizations, and does not include ages 19-20 because adults are not eligible for children’s services.

Computer changes would be required to implement a new population under either a waiver or a state plan amendment. Expenditures in Program 033 for computer changes are estimated at \$207,500 (\$103,750 GF, \$103,750 FF) for FY14. DHHS IT staff are currently dedicated to ACA implementation, so work for the new population could not begin prior to 1-1-14. With this in mind, and with the length of time needed to submit and receive approval for a 1915(c) waiver, implementation and enrollment are assumed to begin effective 7-1-14.

**1915(c) Waiver Option**

According to Magellan, Nebraska’s contractor for determining the level of care needed for psychiatric services, Nebraska had 2,721 children currently authorized for inpatient psychiatric care and PRTF care in 2012. The child population is estimated to increase 3% each year, so for FY15, 2,974 children may be eligible for waiver services. Medicaid serves approximately 37% of all Nebraska children. Assuming that the same proportion of non-Medicaid children would require inpatient psychiatric care, there may be 5,064 additional children made eligible for waiver services and full Medicaid physical and mental health benefits. Total waiver children are estimated at 8,038. The state can limit the number of waiver enrollees.

Without the definitions above, expenditures cannot be estimated for waiver services. Under the waiver, expenditures may be the same as institutional expenditures, or less, to demonstrate cost neutrality. If expenditures are the same, the expenditures for the 2,794 children would not change. For the 5,064 additional children, assuming the current expenditure level of \$7,131 per child per year, expenditures are estimated at \$36,111,384 (\$16,344,012 GF, \$19,767,372 FF) for FY15.

For Medicaid physical and mental health benefits, at \$12/day for the 5,064 additional eligibles, expenditures are estimated at \$14,880,160 (\$6,738,381 GF, \$8,149,779 FF) for FY15.

Additional staff would be needed to serve the additional children. Staffing needs are based on the current A&D waiver. 2 Program Specialists would need to be hired for the full year of FY14 to prepare the waiver, define the services, develop a fee schedule, develop quality assurance strategy, develop performance measures, and work with CMS for approval. DHHS would need to hire and train the following staff, for three months in FY14, and the full year in FY15: 13 Social Services Workers, 1 Social Services Supervisor; 201 Services Coordinators, 20 Social Services Supervisors, 4 Social Services Unit Managers; 40 Resource Developers, 4 Resource Development Supervisors, and 1 Social Services Unit Manager; 3 Payments Reviewers, 3 Program Specialists, 3 QA Program Specialists, 1 Social Services Unit Manager; and 1 Program Analyst for additional reporting. Administration Program 033 staff costs, based on the number of enrollees and the intensity of services provided, are estimated at \$5,508,179 (\$2,754,090 GF, \$2,754,089 FF) for FY14, and \$21,242,127 (\$10,621,063 GF, \$10,621,064 FF) for FY15.

Total expenditures for the 1915(c) waiver option are estimated at \$5,715,679 (\$2,857,840 GF, \$2,857,839 FF) for FY14, and \$72,241,671 (\$33,703,456 GF, \$38,538,215 FF) for FY15.

We are unable to determine the impact for Children and Family Services. Judges may order waiver services for children not eligible for Medicaid, which would increase GF expenditures. However, there may be some cost offsets from children in PRTFs who are ineligible for Medicaid, who may become Medicaid-eligible through the waiver.

**State Plan Amendment Option**

Expenditures cannot be estimated for this option. There would be no population or cost limits, in addition to the lack of definitions above. The fiscal impact could easily exceed the costs referenced for the 1915(c) waiver option.

| MAJOR OBJECTS OF EXPENDITURE |                     |       |                        |                        |
|------------------------------|---------------------|-------|------------------------|------------------------|
| PERSONAL SERVICES:           |                     |       |                        |                        |
| POSITION TITLE               | NUMBER OF POSITIONS |       | 2013-2014 EXPENDITURES | 2014-2015 EXPENDITURES |
|                              | 13-14               | 14-15 |                        |                        |
| Benefits.....                |                     |       |                        |                        |
| Operating.....               |                     |       |                        |                        |
| Travel.....                  |                     |       |                        |                        |
| Capital Outlay.....          |                     |       |                        |                        |
| Aid.....                     |                     |       |                        |                        |
| Capital Improvements.....    |                     |       |                        |                        |
| <b>TOTAL.....</b>            |                     |       | See above              | See above              |