

Fiscal Note

BILL # SB 1032

TITLE: developmental disabilities; spina bifida

SPONSOR: Kavanagh

STATUS: Senate Engrossed

PREPARED BY: Chandler Coiner

Description

The bill would modify the definition of developmental disability to include spina bifida, thereby qualifying individuals with spina bifida for services through the Arizona Long Term Care System (ALTCS) via the Department of Economic Security's (DES) Division of Developmental Disabilities (DDD).

Estimated Impact

Based on Arizona Health Care Cost Containment System (AHCCCS) data reflecting the number of potentially eligible clients, we estimate that adding spina bifida to the definition of developmental disability could potentially cost \$21.4 million from the General Fund annually. This amount consists of \$(3.1) million of savings within AHCCCS when members with spina bifida transfer their coverage to DDD and \$24.5 million of costs within DES for all newly-eligible DDD members.

We consider this impact to be speculative given the uncertain impact of the bill on DDD enrollment; the actual costs could be lower to the extent that individuals with spina bifida do not meet the functional limitations criteria of the ALTCS DDD program. These individuals would only qualify for state-only services, which are subject to legislative appropriation.

DES estimates the bill would increase DDD General Fund costs by \$6.8 million to \$21.5 million annually. We think the low end of the estimate's range is likely understated because it assumes the only individuals that would apply and receive services under the ALTCS DDD program due to this bill would be current ALTCS Elderly and Physically Disabled (EPD) members with spina bifida.

DES also estimates that there would be additional one-time administrative costs in FY 2024 of \$370,000 General Fund (\$1.1 million in Total Funds) to update documentation, processes, and training.

Analysis

Spina bifida is a type of neural tube birth defect in which the spine and spinal cord do not form properly during pregnancy. Many newborns with spina bifida are also diagnosed with hydrocephalus, which is where extra fluid surrounds their brain.

For an individual to be eligible for ALTCS DDD, they must have significant limitations in daily life skills in at least 3 of the following categories: receptive and expressive language, learning, self-direction, self-care, mobility, capacity of independent living, and economic self-sufficiency. AHCCCS notes that individuals with diagnoses of both spina bifida and hydrocephalus are more likely to qualify for ALTCS DDD, while individuals without a hydrocephalus diagnosis are less likely to meet the minimum of 3 functional limitations. As a result, our analysis of the bill's impact primarily focuses on individuals diagnosed with both spina bifida and hydrocephalus.

(Continued)



Based on National Institutes of Health data, AHCCCS estimates a total of 1,084 non-AHCCCS Arizona residents with both spina bifida and hydrocephalus. AHCCCS believes 25% to 50% is a "reasonable" participation assumption among the estimated 1,084 newly-eligible individuals. Given the high costs of care for individuals diagnosed with both spina bifida and hydrocephalus, we assume the participation rate would be closer to 50%, or 542 individuals.

In addition, the bill would impact the costs of some current Medicaid enrollees with a spina bifida diagnosis. AHCCCS estimates that there are 665 enrollees already enrolled in AHCCCS or DDD who have a spina bifida diagnosis, including:

- 249 ALTCS EPD clients. Under the bill, the enrollment of these clients would be shifted to DDD.
- 210 clients with spina bifida and an accompanying diagnosis of hydrocephalus in AHCCCS are receiving non-ALTCS services. AHCCCS believes that these 210 clients would also be requalified for coverage under ALTCS DDD as part of this bill.
- 206 clients with spina bifida are currently receiving services through DES' ALTCS DDD program by qualifying via other criteria (e.g. a co-occurring intellectual disability diagnosis); their services would be unchanged by this bill.

Based on the above figures, a total of 459 current AHCCCS enrollees (249 from ALTCS EPD and 210 from AHCCCS acute care) would have their coverage transferred to DDD. Because the DDD capitation rate is higher than either the AHCCCS ALTCS EPD rate or the AHCCCS non-ALTCS rates, this transfer will generate a net cost to the state. In addition, given that the ALTCS EPD program is partially financed by county monies, the transfer to DDD would result in some long term care expenses shifting from county funds in AHCCCS to the General Fund in DES.

Each eligible ALTCS DDD member generates funding via a monthly capitation rate. The ALTCS DDD monthly capitation rate is \$6,040, with the FY 2024 JLBC Baseline assuming a yearly growth rate of 3.1%. Capitation rates go into effect on October 1 of each year, so we estimate a capitation rate of \$6,227 from October 1, 2023 through September 30, 2024. This results in a yearly cost of approximately \$74,700 per client.

If each of the estimated 542 non-AHCCCS Arizona residents with both spina bifida and hydrocephalus were to apply and receive services under the ALTCS DDD program as part of this bill, it could cost an estimated \$13.4 million General Fund (\$40.6 million in Total Funds).

If each of the estimated 459 current AHCCCS enrollees would have their coverage transferred to DDD as part of this bill, the net cost increase could be an estimated \$8.0 million General Fund (\$17.0 million in Total Funds). This amount consists of \$(3.1) million of savings within AHCCCS when members with spina bifida transfer their coverage out of AHCCCS and \$11.1 million of costs within DES for the transferring members.

In total, the annual increase in service costs under these assumptions would be \$21.4 million General Fund and \$57.6 million in Total Funds.

Local Government Impact

We estimate the bill would reduce the county share of costs for the ALTCS EPD program by \$(2.2) million annually due to the 249 ALTCS EPD clients transferring to DDD.