

JLBC Fiscal Note

BILL # SB 1630

TITLE: home; community-based services; mental illness

SPONSOR: Angius

PREPARED BY: Chandler Coiner

STATUS: Senate Engrossed

REVISED

Explanation of Revision

We have revised our Fiscal Note to include agency input received after our 2/18 Fiscal Note publication. Separately, based on our review of several of the assumptions used in our 2/18 Fiscal Note, we believe our initial estimates of the per-member costs of the program established by the bill were likely understated. As a result, we have revised our analysis to increase our assumption to \$61,300 per member, increasing the fiscal impact estimate to \$5.5 million General Fund.

Description

The bill would require the Arizona Health Care Cost Containment System (AHCCCS) to apply for a federal waiver to establish a Medicaid-funded program that offers home and community-based services (HCBS) to adults with a serious mental illness (SMI).

Estimated Impact

We estimate that the HCBS program established by the bill would increase AHCCCS General Fund costs by \$5.5 million annually (\$15.3 million Total Funds) once the program is fully implemented and if enrollment remains capped at 250 members. However, if the enrollment cap is later expanded to the maximum of 1,000 members, we estimate the program would cost of \$22.2 million General Fund annually (\$61.3 million Total Funds).

Because the bill requires AHCCCS to demonstrate that the program reduces costs elsewhere within the AHCCCS system before expanding the program, the \$22.2 million General Fund (\$61.3 million Total Funds) cost of the expanded program would necessarily be offset, at least partially, by these cost reductions. However, we lack the data necessary to quantify the offsetting savings.

AHCCCS estimates the HCBS program would increase costs by \$8.3 million General Fund/\$22.8 million Total Funds if enrollment remains capped at 250 members. AHCCCS assumes the average cost per-member would be \$91,200, which is primarily based on the current per-member costs of its long-term care program for the elderly and physically disabled (EPD). We believe AHCCCS' estimate is likely overstated because a significant portion of EPD program costs are for nursing facility services, which would not be covered by the HCBS program established by the bill. Additionally, AHCCCS estimates the bill would increase its administrative staffing costs by \$1.8 million General Fund/\$5.7 million Total Funds.

Analysis

Our estimate assumes the following:

- 1) The weighted average HCBS cost for an individual currently enrolled in the AHCCCS long-term care program is \$50,400 per year for EPD members and \$72,200 for Developmental Disabilities (DD) members. These figures exclude nursing facility services and physical/behavioral health services but include certain health plan administrative costs.
- 2) We do not have a definitive method of determining the average cost of the SMI population. Although several state HCBS programs for mental health/SMI population have lower average costs than EPD/DD programs, this bill would specifically prioritize high-needs, high-costs individuals. As a result, we assume the per-member cost is the midpoint between the average EPD and DD member, or \$61,300. However, we believe this is a speculative assumption.
- 3) 250 individuals initially enroll, resulting in a Total Funds cost of \$15.3 million ($\$61,300 \times 250$).
- 4) If AHCCCS later expands the program from 250 to 1,000 individuals, this would result in an additional Total Funds cost of \$46.0 million ($\$61,300 \times 750$).
- 5) AHCCCS costs for Medicaid-funded programs are split 36% state/64% federal.