



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0734	<b>Title:</b>	Critical funding for community mental health
<b>Primary Sponsor:</b>	McAlpin, Dave	<b>Status:</b>	As Amended

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
General Fund	\$24,897,306	\$24,581,579	\$24,872,251	\$25,188,959
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance</b>	<u>(\$24,897,306)</u>	<u>(\$24,581,579)</u>	<u>(\$24,872,251)</u>	<u>(\$25,188,959)</u>

### Description of fiscal impact:

HB-734 expands Mental Health Services to include Mental Health Crisis Stabilization, Behavioral Health In-patient Facilities, peer support, and telemedicine capabilities. The bill also provides mental health benefits to individuals up to 200% of poverty through the Mental Health Services Plan (MHSP) and expands the amount, scope, and duration of benefits available to those available to Medicaid-eligible beneficiaries.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Public Health and Human Services (DPHHS) Addictive and Mental Disorders (AMDD)**

- Two Behavioral Health In-patient Facilities (BHIF's) would be contracted to provide services at a cost of \$2,800,000 each for a total of \$5,600,000 annually.
- Seven 3-person peer support teams would be established. The cost to man and operate each team would be \$94,364 annually. This cost includes salary and benefits, training, office equipment, and travel coded under grants. The costs for FY 2008 also include \$58,275 in start up costs for computers and office equipment. An inflation factor of 2.5% a year is added annually to this total. (FY 2008: \$660,548; FY 2009: \$617,330; FY 2010: \$632,763; FY 2011: \$648,582).
- Three crisis response teams would be added at \$275,000 each, for a total of \$825,000 each year.

4. The telemedicine costs are estimated to be \$1,000,000 a year. Telemedicine would provide for a central location that would assist community hospitals with diagnosis and stabilization of psychiatric crises. These costs are inflated at 2.5% each year starting in FY 2010. (FY2008: \$1,000,000; FY 2009: \$1,000,000; FY 2010: \$1,025,000; FY 2011: \$1,050,625).
5. The 72 hour crisis stabilization proposal is estimated to cost \$1,032,770 in grant dollars. This proposal would make funds available to community hospitals or other community crisis providers to provide initial stabilization services. It is estimated that approximately 950 individuals could be served at a cost of \$1,100 per individual for 3 days of stabilization treatment.
6. The average cost of Medicaid funded mental health services is calculated using the total FY 06 Medicaid cost of \$27,327,508 for 13,414 people served, for an average cost of \$2,037.24 for each individual. ( $\$27,327,508 / 13,414$ ). This cost does not include group home, foster home, and ICBR Medicaid costs.
7. There are currently 4,572 individuals served within the current MHSP threshold of 150% of poverty level. An estimated 4,841 new individuals would fall within 150 to 200% of the federal poverty level based on a August 2006 study of Montana's Mental Health Programs by the Western Interstate Commission for Higher Education (WICHE). Of the 4,841 individuals within 200% of poverty, 80% or 3,873 individuals would not be insured and would require services.
8. To fully fund the expansion of the Mental Health Services Plan to include the 4,572 individuals, it is estimated to cost \$5,114,261. This figure is net of the current funding already provided for the MHSP program. ( $4,572 \text{ individuals} * \$2,037.24 \text{ annually}$ , less \$4.2M in the base budget).
9. The expansion of Mental Health benefits to an additional 3,873 individuals in amount, scope, and duration to equal that provided to Medicaid eligible beneficiaries is expected to increase benefits costs by \$7,889,823 each year ( $3,873 * 2,037.24$ ).
10. The expanded pharmacy services are expected to be comparable with the current MHSP pharmacy program, which is capped at \$425 a month per recipient.
11. In FY 2006, 64.4% of the MHSP clients participated in the pharmacy program ( $3,459 \text{ recipients} / 5,367 \text{ eligible} = 64.4\%$ )
12. The participating clients averaged annual pharmacy costs of \$911. (FY 2006 costs of \$3,152,605 divided by 3,459 individuals served = \$911)
13. Based on 3,873 new MHSP clients, and a 64.4% pharmacy program participation, the expansion would benefit an additional 2,496 individuals at an estimated benefits cost of \$2,274,904 annually.
14. Pharmacy costs are expected to rise 10% a year based on historical trends. Total cost estimates are: FY 2008: \$2,274,904; FY 2009: \$2,502,394; FY 2010: \$2,752,634; FY 2011: \$3,027,897.
15. Systems development costs of \$500,000 will be incurred in FY 2008 as contracted services to develop data processing systems that will be capable of administering the billing of services on a fee basis.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	\$1,500,000	\$1,000,000	\$1,025,000	\$1,050,625
Benefits	\$16,311,758	\$16,539,249	\$16,789,488	\$17,064,751
Transfers	\$7,085,548	\$7,042,330	\$7,057,763	\$7,073,582
<b>TOTAL Expenditures</b>	<u><u>\$24,897,306</u></u>	<u><u>\$24,581,579</u></u>	<u><u>\$24,872,251</u></u>	<u><u>\$25,188,958</u></u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$24,897,306	\$24,581,579	\$24,872,251	\$25,188,958
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$24,897,306)	(\$24,581,579)	(\$24,872,251)	(\$25,188,958)

**Technical Notes:**

1. The appropriation for \$6,305,210 in general fund for MHSP pharmacy benefits included in this HB734 is also included in HB808 (page 20, line4) funding. HB808 proposes to use state special revenue (tobacco tax) funding for these pharmacy benefits.
2. The telemedicine costs are contained in decision package 33407 for the DPHHS Addictive and Mental Disorders Division. They are reflected separately in this fiscal note as a contracted service.
3. The 72 hour crisis stabilization proposal for the DPHHS Addictive and Mental Disorders Division is also included in DP 33407.

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Sponsor's Initials

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Date

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Budget Director's Initials

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Date