GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0147 - Enhance Medicaid rates for certain children's mental health services (Gillette, Jane)	
Status:	As Introduced

☐Significant Local Gov Impact ☒Needs to be included in HB 2 ☒Technical Concerns

☐Included in the Executive Budget ☐Significant Long-Term Impacts ☐Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	$523,832	$588,924	$700,000	$780,139
Federal Special Revenue	$952,662	$1,070,445	$1,271,096	$1,415,895
Revenue:				
General Fund	$0	$0	$0	$0
Federal Special Revenue	$0	$0	$0	$0
Net Impact-General Fund Balance:	($523,832)	($588,924)	($700,000)	($780,139)

Description of fiscal impact: HB 147 provides for an enhanced Medicaid reimbursement for providers of Psychiatric Residential Treatment Facility (PRTF) and Children's Therapeutic Group Home (TGH) services to increase access to in state care for high-risk children with multiagency needs.

FISCAL ANALYSIS

Assumptions:

1. For purposes of this fiscal note, a July 1, 2023 effective date is assumed.
2. The enhanced rate's calculation is 133% of the rate that was in effect on July 1, 2022.
3. The new section 1 of the bill requires the Department of Public Health and Human Services (department) to establish criteria for an enhanced payment for in state PRTF TGH services. The criteria must relate to the age or acuity of the child's treatment needs. Criteria will be based on data collected through ongoing efforts by the Children's Mental Health Bureau (CMHB) to reduce reliance on out of state treatment facilities. The CMHB contracts with the University of Montana Center for Children Families, and Workforce Development for technical support on this topic and participates in the Behavioral Health Alliance of Montana's Out of State Taskforce. Data was collected through the annual Out of State Placement Report and the Montana Residential Provider Survey and Site Reviews in the summer 2022.

Psychiatric Residential Treatment Facilities (PRTF)

4. Out of state PRTFs are reimbursed at a cap of 133% of the in state PRTF rate, which is equal to the assumed rate. As such, there will be no impact for youth who would have been served.
5. Based on FY 2022 Medicaid claims data, it is estimated that 188 Montana Medicaid clients will be served by in state PRTF facilities in SFY 2024. PRTF clients served are projected to grow 6% annually.
6. Based on data collected to date (see assumption #2), it is estimated that 15% of youth currently receiving PRTF services in state would meet the enhanced payment criteria. In FY2024, it is estimated 28 youth (188*.15) would be eligible for the enhanced payment.
7. Based on FY 2022 Medicaid claims data, these youth have an average cost per PRTF stay of $48,035. Under the enhanced rate, the average cost per youth will be $63,887 ($48,035*133%), an increase of $15,852 ($63,887-$48,035). This results in a FY 2024 increase in benefit costs for PRTFs of $443,843 in total funds.

Therapeutic Group Home (TGH) Out of State Youth

8. Montana Medicaid currently pays out of state TGHs the same rate as in state TGHs. Therefore, cost to serve clients eligible for the enhanced rate under HB 147 would be 33% higher if they are served in state versus in an out of state TGH. It is assumed that the enhanced rate will lead to an increase in the number of in state filled TGH beds. This increase is anticipated to facilitate the shift of 8 youth from out of state TGHs to in state TGHs in SFY 2024, 16 youth in FY 2025, 32 youth in FY 2026, and 40 youth in SFY 2027.
9. Based on SFY 2022 Medicaid claims data, these youth have an average costs per TGH stay of $36,530. Under the enhanced rate the average cost per youth will be $48,585 in FY2024 ($36,530*133%), an increase of $12,055 ($48,585-$36,530). This results in a FY 2024 increase in benefit costs for out of state TGHs of $96,439 in total funds ($12,055*8).

Therapeutic Group Home (TGH) In State Youth

10. Based on SFY 2022 Medicaid claims data, it is estimated that 441 Montana Medicaid clients will be served by in state TGHs in SFY 2024. TGH clients served are projected to grow 6% annually.
11. Based on data collected to date (see assumption #2), it is estimated that 20% of youth currently receiving TGH services in state would meet the enhanced payment criteria. A higher percentage of TGH youth will qualify for the enhanced rate than PTRFs because of the Montana residential providers who serve targeted populations, including youth age 8 or younger and youth with co-occurring diagnoses including but not limited to intellectual disabilities, developmental disabilities and/or serious emotional disturbance tendencies. Therefore, in FY2024, 88 youth (441*.20) are assumed to be eligible for the enhanced payment.
12. Based on FY 2022 Medicaid claims data, these youth have an average cost per in state TGH of $31,341. Under the enhanced rate the average cost per youth will be $41,684 in FY2024, an increase of $10,343 ($41,684-$31,341). This results in a FY 2024 increase in benefit costs for in state TGHs of $912,211 in total funds ($10,343*88).

FMAP Benefits Breakout

13. The PRTF and TGHs are based off of SFY 2022 Medicaid claims data. 96% of benefits will be eligible for the standard Medicaid Federal Medicaid Assistance Percentage (FMAP) which is approximately a 64% federal / 36% state split. The other 4% of benefits are eligible for the CHIP federal match (approximately 75% in SFY 2024).
14. The department assumes a 1.5% inflation factor for benefits in FY 2026 and FY 2027.
15. The table below demonstrates the calculations and fiscal impact for FY2025, FY2026, and FY2027.

Utilization Review

16. The department assumes an increased cost for contracted utilization review services in the development and maintenance of criteria for enhanced payments, $24,000 annually with a 1.5% inflation factor for FY 2026 and FY 2027. This expense receives a 75% federal / 25% state FMAP split.

HB 147 Behavioral Health & Developmental Disabilities (BHDD) Assumptions				
Psychiatric Residential Treatment Fac. (PRTF)				
Clients Served in In State PRTF				
Clients Served in In State PRTF	188	199	211	224
Estimated % will meet Enhanced Payment Criteria	15.0%	15.0%	15.0%	15.0%
Clients estimated to meet Enhanced Payment Criteria	28	30	32	34
Average Annual Cost for In State PRTF*	$48,035	$48,035	$48,756	$49,487
Enhanced Payment per HB 147	133%	133%	133%	133%
Average Annual Cost for Enhanced Payment per Client	$63,887	$63,887	$64,845	$65,818
Average				
Difference in Average Annual Cost	$15,852	$15,852	$16,089	$16,331
HB 147 Fiscal Impact In State PRTF	$443,843	$475,547	$514,858	$555,243
Therapeutic Group Home (TGH)	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**
Clients Served in Out of State (OOS) TGH				
Clients served in out of state TGH	88	93	99	105
Estimated Shift from OOS TGH to In State TGH	8	16	32	40
Average Annual Cost for OOS TGH*	$36,530	$36,530	$37,078	$37,634
Cost to Serve Youth in In State TGH at Enhanced Rate	33.0%	33.0%	33.0%	33.0%
Average Annual Cost for Enhanced Payment per Client	$48,585	$48,585	$49,314	$50,053
Change in Avg Annual Cost - OOS TGH	$12,055	$12,055	$12,236	$12,419
HB 147 Fiscal Impact OOS TGH	$96,439	$192,878	$391,543	$496,770
Clients Served in In State TGH				
Clients served in in state TGH	441	467	496	525
Estimated % will meet Enhanced Payment Criteria	20.0%	20.0%	20.0%	20.0%
Clients estimated to meet Enhanced Payment Criteria	88	93	99	105
Average Annual Cost for in state TGH*	$31,341	$31,341	$31,811	$32,288
Enhanced Payment per HB 147	133.0%	133.0%	133.0%	133.0%
Average Annual Cost for Enhanced Payment per Client	$41,684	$41,684	$42,309	$42,943
Change in Avg Annual Cost - In State TGH	$10,343	$10,343	$10,498	$10,655
HB 147 Fiscal Impact In State TGH	$912,211	$966,944	$1,040,335	$1,119,296
Total Service Expenditure Impact HB 147	**$1,452,494**	**$1,635,369**	**$1,946,736**	**$2,171,309**

***In FY25 and FY26 a 1.5% inflation factor was added to average cost.**

FMAP	FY 2024	FY 2025	FY 2026	FY 2027
Standard Medicaid - 96.0%				
State Share	36.09%	35.88%	35.88%	35.88%
Federal Share	63.91%	64.12%	64.12%	64.12%
CHIP - 4%				
State Share	25.12%	30.00%	30.00%	30.00%
Federal Share	74.88%	70.00%	70.00%	70.00%
Expansion -				
State Share	10.00%	10.00%	10.00%	10.00%
Federal Share	90.00%	90.00%	90.00%	90.00%
Administration -				
State Share	50.00%	50.00%	50.00%	50.00%
Federal Share	50.00%	50.00%	50.00%	50.00%

BENEFITS FUNDING

Funding	FY 2022	FY 2023	FY 2024	FY 2025
State Share	$ 517,831	$ 582,924	$693,910	$ 773,959
Federal Share	$ 934,662	$ 1,052,445	$1,252,826	$ 1,397,350
TOTAL	**$ 1,452,494**	**$ 1,635,369**	**$ 1,946,736**	**$ 2,171,309**

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Fiscal Impact:				
Expenditures:				
Operating Expenses	$24,000	$24,000	$24,360	$24,725
Benefits	$1,452,494	$1,635,369	$1,946,736	$2,171,309
TOTAL Expenditures	$1,476,494	$1,659,369	$1,971,096	$2,196,034
Funding of Expenditures:				
General Fund (01)	$523,832	$588,924	$700,000	$780,139
Federal Special Revenue (03)	$952,662	$1,070,445	$1,271,096	$1,415,895
TOTAL Funding of Exp.	$1,476,494	$1,659,369	$1,971,096	$2,196,034
Revenues:				
General Fund (01)	$0	$0	$0	$0
Federal Special Revenue (03)	$0	$0	$0	$0
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($523,832)	($588,924)	($700,000)	($780,139)
Federal Special Revenue (03)	($952,662)	($1,070,445)	($1,271,096)	($1,415,895)

Technical Notes:

1. A state plan amendment establishing the enhanced rate must be written and sent to the Centers for Medicare and Medicaid Services (CMS) for approval. It must be approved to receive federal matching funds.
2. Any anticipated reduction in out of state placements or shifts from out of state placements to in state placements is contingent on in state provider capacity.

		[initials]	1-4-23
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*