

# HJR 35: CHILDREN'S MENTAL HEALTH POTENTIAL COSTS OF ENHANCED RATES

## BACKGROUND

At its June meeting, the Children, Families, Health, and Human Services Interim Committee will review a revised bill draft to increase Medicaid reimbursement rates for psychiatric residential treatment facilities and therapeutic group homes.

This briefing paper updates the cost estimates provided to the committee in May to reflect the new criteria for enhanced payments and the new payment rate in the revised version of the bill draft.

## HJR 35-1V2: ENHANCED PROVIDER RATES

The state pays a daily Medicaid reimbursement rate to psychiatric residential treatment facilities (PRTFs) and therapeutic group homes (TGHs), both of which provide out-of-home treatment to children who need intensive services. HJR 35-1v2 would create a higher rate than usual for PRTFs and TGHs for Fiscal Years 2024 through 2027 if the facilities serve children who meet either an acuity level or an age level set by the Department of Public Health and Human Services (DPHHS).

The reimbursement rate would be the higher of:

- 133% of the rate in effect for in-state providers on July 1, 2022, which marks the beginning of Fiscal Year 2023; or
- the rate DPHHS adopts for in-state providers for FY 2024.

The original version of the bill increased rates to 133% of the base rate for PRTFs and increased TGH rates to 160% of the base rate.

Out-of-state PRTFs already are paid at 133% of the in-state Medicaid rate for PRTFs, so increasing the rate for in-state providers would not result in increased spending if the additional children served would otherwise have been placed out of state for treatment.

However, out-of-state and in-state TGHs are paid the same Medicaid rate, so increasing the rate for in-state providers would increase the costs to the Medicaid program.

## ASSUMPTIONS

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Costs were estimated using the following assumptions:

- Very young children and children with high levels of acuity are likely to require higher staffing ratios, specialized training for staff, and special physical features within the group home to meet the needs of the children and for the safety of the children and the staff. In order to ensure that providing services to those children is cost effective, providers may not expand services until they know they are able to serve at least four children at a time.
- The reimbursement rate would increase from \$203.84 a day to \$271.11 day, resulting in an annual increase of about \$24,500 for each additional bed serving a child in the target population.
- Provider rates will increase 2% in the second year of the biennium.
- The state will pay about 36% of the additional cost, while federal funds will cover 64% of the cost.

## POTENTIAL COSTS

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The table below shows the potential annual and biennial costs of making higher TGH payments during the next biennium, using those assumptions.

Increased Capacity	Year	General Fund	Federal Funds	Total
8 Beds	FY 2024	\$70,711	\$125,709	\$196,420
12 Beds	FY 2025	\$108,188	\$192,335	\$300,523
	<b>Biennial Total</b>	<b>\$178,899</b>	<b>\$318,044</b>	<b>\$496,943</b>
12 Beds	FY 2024	\$106,607	\$188,563	\$294,630
18 Beds	FY 2025	\$162,282	\$288,502	\$450,784
	<b>Biennial Total</b>	<b>\$268,349</b>	<b>\$477,065</b>	<b>\$745,414</b>
16 Beds	FY 2024	\$141,423	\$251,418	\$392,840
24 Beds	FY 2025	\$216,376	\$384,669	\$601,046
	<b>Biennial Total</b>	<b>\$357,799</b>	<b>\$636,087</b>	<b>\$993,886</b>

## ADDITIONAL CONSIDERATIONS AND OPTIONS

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DPHHS is currently conducting a rate study that may result in proposals for higher rates for children's mental health services. Because the outcome of the study won't be known until August and the fate of any budget proposals won't be known until spring 2024, the committee could take various approaches to addressing the potential costs:

- Wait until August to decide whether to include an appropriation in the bill.
- Include an appropriation, with coordination language that would reduce the amount of the appropriation by the amount appropriated for a rate increase for TGH services in House Bill 2 during the 2023 Legislature.
- Introduce the bill without an appropriation and let the Office of Budget and Program Planning calculate the expected cost, which would then be included in HB 2 before the end of the 2023 legislative session.