BEHAVIORAL HEALTH SYSTEM FOR FUTURE GENERATIONS RECOMMENDATION #1: REFINE AND RECONFIGURE THE CURRENT 0208 COMPREHENSIVE WAIVER SERVICES RATES

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference	FY 2030 Difference	FY 2031 Difference
Expenditures:						
General Fund						
State Special Revenue	$218,750	$2,091,168	$2,894,836	$2,894,836	$2,938,259	$2,982,332
Federal Special Revenue	$218,750	$2,498,132	$4,558,764	$4,558,764	$4,627,145	$4,696,553
Other						
Revenue:						
General Fund						
State Special Revenue						
Federal Special Revenue	$218,750	$2,498,132	$4,558,764	$4,558,764	$4,627,145	$4,696,553
Other						
Net Impact - General Fund Balance:	$0	$0	$0	$0	$0	$0

Description of fiscal impact: (In a few short sentences, describe.)

This recommendation adjusts the 0208 Comprehensive Waiver rate methodology to better align each person's support needs with the resources they receive. There will be costs associated with implementing this new rate methodology as well as an increase in Medicaid reimbursement upon implementation of the new rate methodology.

FISCAL ANALYSIS

Assumptions:

1. The department will contract with a vendor to construct a new rate methodology that accounts for acuity level and evaluate subsequent rate changes within the 0208 Comprehensive Waiver. The department assumes the cost of this work will be $550,000 over FY 2026 and FY 2027. This contract cost assumption is based on similar contracts for similar services in other states. Expenses will be eligible for Medicaid administrative Federal Medical Assistance Percentage (FMAP) which is 50% state funds and 50% federal funds.
2. The department will contract with a vendor to support project management and programmatic updates needed to implement the changes to the rate methodology (i.e. policy/rule changes) at an estimated cost of $325,000 over FY

2026 and FY 2027. This contract cost assumption is based on similar contracts for similar services in other states. Expenses will be eligible for Medicaid administrative FMAP which is 50% state funds and 50% federal funds.

3. The department will contract with an acuity assessment tool entity in FY 2027 to conduct a pilot with a sample size of 500 and cost per assessment of $850 for a total cost of $425,000. The per assessment cost assumption is based on similar pilot assessment projects in other states.
4. The department expects implementation of the new rate methodology to begin in late FY 2027 and projects that approximately 50% of the full cost to implement will occur in FY 2027. This equates to a total program cost increase of $3,576,800. The increase in benefits will be eligible for Medicaid Standard FMAP (38.37% state-funded and 61.63% federally funded in FY 2027). This results in a state share of $1,372,418 ($3,576,800*.38) and a federal match of $2,204,382 ($3,576,800*.61). This is due to an expected increase in reimbursement for higher acuity clients averaging to 5 percent of total residential and day services expenditures. The department assumes full implementation will occur in FY 2028 and there will be an increase in annual benefit expenditures of $7,153,600. The increase in benefits will be eligible for FMAP (38.37% state-funded and 61.63% federally funded in FY 2028). This result in state share of $2,744,836 ($7,153,600*.38) and federal funds of $4,408,764 ($7,153,600*.61).
5. The department assumes assessments will be conducted on a rolling five-year schedule, priced at $500 per assessment and assumes 600 assessments will be completed annually ($500*600 = $300,000/year) starting in FY 2028. The department assumes 300 assessments will be completed in FY 2027 during initial implementation. These costs are Medicaid administrative services that receive FMAP of 50% BHSFG state special revenue and 50% federal funds.

Technical Notes:

1. The department assumes that all state funds required for implementation and recurring costs will be allocated from the Behavioral Health System for Future Generations (BHSFG) state special revenue fund.
2. Any delay in procurement for contractors may push projected costs into future fiscal years.
3. Any delay in CMS approval of the new payment methodology may delay increase in benefit expenditures.
4. Projected expenditures for FY 2030 and FY 2031 assume a 1.5% inflationary factor for state and federal funds.