Individual State Agency Fiscal Note

Revised

Bill Number: 1515 HB	Title: Behavioral health contracts	Agency: 107-Washington State Health Care Authority

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
General Fund-Federal 001-2	380,000	430,000	810,000	754,000	648,000
Total $	380,000	430,000	810,000	754,000	648,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.0	5.0	4.5	4.0	3.0
Account					
General Fund-State 001-1	469,000	531,000	1,000,000	931,000	800,000
General Fund-Federal 001-2	380,000	430,000	810,000	754,000	648,000
Total $	849,000	961,000	1,810,000	1,685,000	1,448,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

See attached.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	469,000	531,000	1,000,000	931,000	800,000
001-2	General Fund	Federal	380,000	430,000	810,000	754,000	648,000
		Total $	849,000	961,000	1,810,000	1,685,000	1,448,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.0	5.0	4.5	4.0	3.0
A-Salaries and Wages	321,000	402,000	723,000	633,000	462,000
B-Employee Benefits	118,000	149,000	267,000	236,000	174,000
C-Professional Service Contracts	400,000	400,000	800,000	800,000	800,000
E-Goods and Other Services	10,000	10,000	20,000	16,000	12,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	849,000	961,000	1,810,000	1,685,000	1,448,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
CONTRACTS SPECIALIST 3	81,000	0.5	1.0	0.8	0.5	
FISCAL ANALYST 3	65,000	1.0	1.0	1.0	1.0	1.0
MEDICAL ASSISTANCE PROGRA SPECIALIST 3	83,000	1.5	2.0	1.8	2.0	2.0
MEDICAL PROGRAM SPECIALIS 3	90,000	1.0	1.0	1.0	0.5	
Total FTEs		4.0	5.0	4.5	4.0	3.0

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
150 - Community Behavioral Health (150)	849,000	961,000	1,810,000	1,685,000	1,448,000
Total $	849,000	961,000	1,810,000	1,685,000	1,448,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Bill Number: HB-1515 HCA Request #: 23-064

Part II: Narrative Explanation

AN ACT Relating to contracting and procurement requirements for behavioral health services in medical assistance programs.

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Section (1) established an intent to ensure robust new standards defining the levels of Medicaid-funded behavioral health service capacity and resources that are adequate to meet the needs, while providing value-based structures that improve equitable access, promote integration of care, and deliver outcomes.

Section 2 (2) By July 1, 2024, the Health Care Authority (HCA) will adopt the regional standards for the behavioral health provider networks maintained by manage care organizations (MCOs) outlined in Section 2 (1) (d) to ensure timely access to behavioral health services for enrollees.

Section 2 (2) (a) Includes a process for regular updates (from MCOs) at least once per year.

Section 2 (2) (b) Includes a process to involve participation from counties and providers for both the development and ongoing updates.

Section 2 (2) (c-d) Establishes factors for regional service assessments and monitoring compliance of provider network standards.

Section 2 (3), (4)(d) and (4)(h) Establishes procurement goals related to: evaluating administrative simplification for providers and the number of managed care plans; assessment of 24 hour/7 days a week (24/7) crisis service needs; delegated arrangements in a manner that supports integration; and supporting value-based and capacity based payment models for 24/7 crisis services (and see subsection 8 for related use of directed payments to achieve such goals).

Section 2 (5) Requires the HCA to determine whether the value-based or capacity-based payment models referenced in (4) are more effective than a fee-for-service model.

Section 2 (6) Requires a number of behavioral health network and performance conditions for successful MCO bidders for the future procurement of managed care.

Section 2 (7) Requires HCA to recognize and support a delegated arrangement as referenced in 4(h).

Section 2 (8) HCA shall expand the types of behavioral health crisis services that can be funded with Medicaid to the maximum extent allowable under federal law, including seeking approval from the Centers for Medicare and Medicaid (CMS) services for amendments to the Medicaid state plan or Medicaid state directed payments, especially for 24/7 crisis services model.

Section 2 (9) HCA shall develop contracting methods that increase MCO’s accountability when their enrollees require long-term involuntary inpatient behavioral health treatment and shall explore opportunities to maximize Medicaid funding for long-term involuntary inpatient behavioral health treatment.

Section 2 (10) HCA shall include county and behavioral health provider representatives in the development and scoring of any procurement process under this section. This shall include, at a minimum, two representatives identified by the association of county human services and two representatives identified by the Washington council for behavioral health to participate in the review and development of procurement documents, and two representatives identified by the association of county human services and two representatives identified by the Washington council for behavioral health to participate in scoring of bids.

II. B - Cash Receipts Impact

HCA estimates that the federal split will be different by year, depending on if there are startup costs included, which will change the rates.

II. B - Estimated Cash Receipts to:

ACCOUNT		FY-2024	FY-2025	FY-2026	FY-2027	FY-2028	FY-2029	2023-25	2025-27	2027-29
General Fund-Medicaid	001-C	380,000	430,000	430,000	324,000	324,000	324,000	810,000	754,000	648,000
	Totals	$ 380,000	$ 430,000	$ 430,000	$ 324,000	$ 324,000	$ 324,000	$ 810,000	$ 754,000	$ 648,000

II. C – Expenditures

<u>As the following describes, HCA requires administrative and contract resources, but cannot estimate determinative service cost at this time:</u>

I. Administrative costs:

To comply with the bill, HCA requests $849,000 in Fiscal Year (FY) 2024, $961,000 in FY 2025, $961,000 in FY 2026, then $724,000 each year thereafter.

II. C - Operating Budget Expenditures

Account	Account Title	Type	FY-2024	FY-2025	FY-2026	FY-2027	FY-2028	FY-2029	2023-25	2025-27	2027-29
001-1	General Fund	State	469,000	531,000	531,000	400,000	400,000	400,000	1,000,000	931,000	800,000
001-C	General Fund	Medicaid	380,000	430,000	430,000	324,000	324,000	324,000	810,000	754,000	648,000
		Totals	$ 849,000	$ 961,000	$ 961,000	$ 724,000	$ 724,000	$ 724,000	$ 1,810,000	$ 1,685,000	$ 1,448,000

II. C - Expenditures by Object Or Purpose

		FY-2024	FY-2025	FY-2026	FY-2027	FY-2028	FY-2029	2023-25	2025-27	2027-29
FTE		4.0	5.0	5.0	3.0	3.0	3.0	4.5	4.0	3.0
A	Salaries and Wages	321,000	402,000	402,000	231,000	231,000	231,000	723,000	633,000	462,000
B	Employee Benefits	118,000	149,000	149,000	87,000	87,000	87,000	267,000	236,000	174,000
C	Professional Service Contracts	400,000	400,000	400,000	400,000	400,000	400,000	800,000	800,000	800,000
E	Goods and Other Services	10,000	10,000	10,000	6,000	6,000	6,000	20,000	16,000	12,000
	Totals	$ 849,000	$ 961,000	$ 961,000	$ 724,000	$ 724,000	$ 724,000	$ 1,810,000	$ 1,685,000	$ 1,448,000

II. C - Operating FTE Detail: List FTEs by classification and corresponding annual compensation.

Job title	Salary	FY-2024	FY-2025	FY-2026	FY-2027	FY-2028	FY-2029	2023-25	2025-27	2027-29
CONTRACTS SPECIALIST 3	81,000	0.5	1.0	1.0	0.0	0.0	0.0	0.8	0.5	0.0
FISCAL ANALYST 3	65,000	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
MEDICAL ASSISTANCE PROGRAM SPECIALIST 3	83,000	1.5	2.0	2.0	2.0	2.0	2.0	1.8	2.0	2.0
MEDICAL PROGRAM SPECIALIST 3	90,000	1.0	1.0	1.0	0.0	0.0	0.0	1.0	0.5	0.0
	Totals	4.0	5.0	5.0	3.0	3.0	3.0	4.5	4.0	3.0

II. C - Expenditures By Program (optional)

Program		FY-2024	FY-2025	FY-2026	FY-2027	FY-2028	FY-2029	2023-25	2025-27	2027-29
150	150 - Community Behavorial Health	849,000	961,000	961,000	724,000	724,000	724,000	1,810,000	1,685,000	1,448,000
	Totals	$ 849,000	$ 961,000	$ 961,000	$ 724,000	$ 724,000	$ 724,000	$ 1,810,000	$ 1,685,000	$ 1,448,000

Administrative Costs – HCA requires a total of 4.0 FTE for Fiscal Year (FY) 2024, 5.0 FTE for FY 2025, 5.0 FTE in FY 2026, and 3.0 FTE thereafter as the following describes.

Medicare Programs Division (MPD) requires 1.5 FTE MAPS3 starting in FY 2024, and 2.0 FTE MAPS3 thereafter for ongoing development and maintenance of regional measures and monitoring compliance of these standards, and to work with community providers and partners named in Section 2(2), and other oversight and accountability measures required in other sections of the bill.

MPD requires Network Reporting System (NRS) updates and ongoing licensure fees to carry out the requirements of these new regional behavioral health measures. HCA's current software does not have the capability to meet the new behavioral health service level/regional variance that this bill requires (for example, it currently only supports GPS distance measurement, not road-based geographic measurement to determine actual time and distance for location of Medicaid members and providers networks). In addition, while HCA acknowledges that CMS has discussed changing and improving network requirements, CMS has yet to publish those changes; however, HCA believes any new CMS requirements will not eliminate the need for ongoing support of an NRS, but in fact probably further supports this new system need. HCA has been in contact with a few new system contractors, and estimates costs at $400,000 for the first year (including startup fees) starting in October 2023, and $300,000 annually thereafter.

To accomplish the various procurement related requirements, assessment and evaluation noted in Section 2(3), (4), (5), (6), (7), (9) and (10); and the capacity driven funding model and a directed payment application and evaluation under both Section 2(4)(h) and Section2(8), HCA/MPD requires:

1) 1.0 FTE MPS3 through FY 2026 to manage the procurement related activities and policy implementation, such as delegation agreement standards;
2) 0.5 FTE Contracts Specialist 3 (CS3), starting January 2024, and 1.0 FTE CS3 in FY 2025 and FY 2026, to support the contract related provisions of this bill and conflict of interest requirements in Section 2(10);
3) $200,000 in contract resources for FY 2025 and FY 2026 the VBP/capacity purchasing model, including potential directed payment preparation and evaluation for potentially EQRO, actuarial, or other external contractor; and $100,000 ongoing resources thereafter to accomplish annual evaluation as required by CMS for a Directed Payment. These ongoing resources will support the likely required actuarial and external quality review contractual work orders for the CMS authorized Directed Payment; and HCA will require ongoing funding for 1.0 FTE of a Financial Analyst 3 to assist with financial tracking, journal vouchers, and additional payable work that will be associated with this bill. This position will also focus on reprocurement, value-based purchasing, directed payment, as well as rate design and related work.

Goods and services, travel, and equipment are calculated on actual program averages per FTE.

II. Services costs are indeterminate:

Portions of the fiscal note with regard to service costs are indeterminate. The following represents HCA's estimates based on the agency's interpretation of the bill, but estimates of the services are only a proxy for what may result for actual service costs in the future, because actual costs or offsetting costs cannot be determined until the proper analysis and CMS approval has been achieved.

HCA interprets Section 2(8) as requiring the agency to:

1) Identify any gaps between what the state currently covers in the Medicaid state plan and what crisis services are eligible for Medicaid under federal rule and submit a state plan amendment if any are identified. HCA anticipates that there are not likely many crisis services not covered today that are Medicaid eligible. If gaps are identified, this could lead to additional services being provided and a fiscal impact to the state. HCA would need to do a comprehensive review before being able to quantify any fiscal impact.
2) HCA has determined that crisis services will need to be expanded in order to support 24/7 crisis delivery system; however, as stated, this results in an indeterminate cost at this time. If this section is intended to expand crisis services to ensure needed capacity is met, HCA could estimate as a proxy for needed services, additional children and adult mobile crisis teams – 10 children's teams and 5 adult teams would be required based on the SAMSHA Crisis Now Calculator. Each adult team is estimated to cost approximately $1.27 million per year (including $111K in startup costs) and each child team is estimated to cost $1.3M per year (including $133K in startup costs). In total, HCA estimates $22.9M in Year 1, and $20.7M for each year for Year 2 and onwards for mobile crisis teams. This would include the 10 new youth/child teams, 5 new adult teams, enhancement to 10 youth/child teams, and enhancement to 53 adult teams.

HCA will need to explore any rate or rate structure implications of a 24/7 crisis model, including the best method to implement a potential new rate structure, however, HCA is not able to quantify the impact at this time.

HCA is unable to estimate any services impacts that may be driven by the requirements in Section 2(9) to increase MCO accountability for clients who require long-term involuntary behavioral health treatment. Any internal administrative impacts could be accomplished within the resources already noted above.
These costs are all indeterminate and not included in the costs that are being requested at this time.

Part IV: Capital Budget Impact

None

Part V: New Rule Making Require

None