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FISCAL IMPACT STATEMENT

LS 6199
BILL NUMBER: SB 88

NOTE PREPARED: Apr 7, 2011
BILL AMENDED: Apr 7, 2011

SUBJECT: Various Mental Health Issues.

FIRST AUTHOR: Sen. Lawson C
FIRST SPONSOR: Rep. T. Brown

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill has the following provisions:

(1) Makes changes to the health benefits plan for public employees concerning reimbursement for services in the First Steps Program.
(2) Provides that if a family is more than 60 days in arrears in making the cost participation payments for First Steps Program services that the Division of Disability and Rehabilitative Services (DDRS) charge interest on the arrears and file an application for the offset of state tax refunds due to a parent.
(3) Provides that the child may not be denied services for failure to pay the required cost participation schedule payments, unless the family has been in arrears in the payments at least two tax years.
(4) Renames the Commission on Mental Health to the Commission on Mental Health and Addiction, changes qualifications of certain Commission members, removes per diem for lay members of the Commission, and extends the commission until June 30, 2016.
(5) Changes the allocation of federal aid used for drug abuse and alcohol abuse used for local programs.
(6) Redefines the services provided by community mental health centers and specifies that instead of a continuum of care, services are to be provided. redefines "Class I Child Care Home" to include kindergarten-level children as part of the three additional children that may be served during the school year.
(7) Removes the authority of the Division of Mental Health and Addiction (DMHA) to license respite care.
(8) Changes elements of community-based residential programs.
(9) Eliminates the duty of DMHA to submit a biennial report to the Governor and the Legislative Council on the evaluation of the continuum of care.
(10) Makes conforming changes.
(11) Repeals: (a) respite care for persons with mental illness; (b) listing of elements of community residential programs; (c) Children's Mental Health Bureau; (d) certain placement provisions for community residential

facilities; and (e) definitions made obsolete by the bill.

(The introduced version of this bill was prepared by the Commission on Mental Health.)

Effective Date: July 1, 2011.

Explanation of State Expenditures: (Revised) *First Steps Program Changes*: Under the bill, if a family is more than two taxable years delinquent on making First Steps cost participation payments, the DDRS may deny services to eligible First Step participants. The FSSA reports that currently, the DDRS can suspend services to families who fall 60 days past due on First Steps cost participation. First Step program services are administered to children up to 3 years of age. According to DDRS, by extending the delinquency period by which DDRS can deny services to delinquent payors from 60 days to 2 years, the bill creates a disincentive for parents of First Step participants to make cost participation payments. Conceivably, the parents of a child who receives services at one year of age could avoid making First Steps cost participation payments and still receive the maximum amount of services provided by the First Steps program.

The FSSA estimates this ability will decrease state expenditures by a minimum of $150,000 per year. Given the disincentive for cost participation the bill creates, it is likely state expenditures may exceed this amount. However, the ability of the FSSA to utilize the state tax intercept (also included in this bill) may minimize any increase in state expenditures that result from the change in the suspension of First Steps services. The net impact to state expenditures is indeterminable and will depend on (1) FSSA's ability to recover unpaid balances through a tax intercept and (2) the number of families who elect not to make cost participation payments and continue to receive First Steps services.

(Revised) *Third Party Liability Payment for First Steps*: The bill changes language regarding third-party liability (TPL) plans (specifically group insurance plans for public employees *only*) for the First Steps Program. FSSA reports these changes will decrease administrative time that is required to submit numerous requests for reimbursement to group insurance plans for public employees.

[At the time of the writing, information on the potential fiscal impact to the state employee health plan as a result of this language was unavailable from the Indiana State Personnel Department. This fiscal note will be updated as this information is provided.]

According to FSSA, the process to submit individual child service claims for reimbursement to insurance plans is a cumbersome process and often requires frequent contact with TPL payors to collect payments. FSSA reports that in many instances, prior authorization or in-network requirements apply, which prohibit the state from receiving funding for First Steps services. FSSA reports these difficulties have resulted in a low rate of payment for services from children with private insurance and high administrative costs to collect TPL payments.

Continuum of Care: By changing the definition of "continuum of care", state expenditures may change to the extent (1) previously covered services are not included or (2) additional services are included, in a revised definition made by FSSA. Any change in expenditures depends on the decisions of FSSA administrators.

Definition of "Case Management": This bill changes the definition of "case management" under community care for individuals with mental illnesses. FSSA reports this definition is being removed from statute to allow DMHA the ability to change the definition of case management through the rule promulgation process and will allow DMHA to update this definition based on federal requirements in the Medicaid program and from federal health care reform. DMHA is currently working with providers to define continuum of care and any fiscal impact will depend on the revised definition made through the rule promulgation process. Any fiscal impact is indeterminable at the present time.

DMHA Biennial Report: The bill removes the requirement that DMHA submit a biennial continuum of care report on to the Governor and Legislative Council. This is expected to decrease the workload of the DMHA.

Children's Mental Health Bureau Repeal: FSSA reports these positions are federally funded and any changes made to the Bureau are expected to have no impact on state expenditures. FSSA also reports federal changes are likely to this program and repealing language regarding the Bureau will allow DMHA more flexibility in responding to these changes.

Commission on Mental Health: This bill provides the 13 lay members of the Commission on Mental Health and Addiction (COMH) shall serve without receiving per diem and travel reimbursement. For the 2010 interim, Commission on Mental Health expenditures for lay member per diem and travel reimbursement totaled $4,550. This bill is expected to decrease state expenditures by about $4,500 per year.

Additionally, the bill extends the Commission for 5 more years (until June 30, 2016). This bill will result in a continuance of expenditures for legislator per diem and travel reimbursement for that 5-year period. For the 2010 interim, Commission expenditures for legislator per diem and travel reimbursement totaled $2,200.

(Revised) <u>*Provisions That Have No Fiscal Impact*:</u>

(1) The bill makes changes to the following: (a) community residential programs, (b) managed care provider, (c) residential facility for the mentally ill, and (d) respite care. The changes in this bill are expected to have no fiscal impact and, as reported by FSSA, are intended to provide either clarification or update terminology.

(2) The bill adds that the Community and Home Options to Institutional Care for the Elderly and Disabled Board is required to establish long-term goals of the state for the provision of continuum of care for the elderly and disabled based on services that promote behavioral health and prevent and treat mental illness and addiction. FSSA reports these services should already be in place.

(3) The bill changes duties of the director of DMHA regarding licensing and certifying residential programs for individuals with serious mental illness (SMI), serious emotional disturbance (SED), and chronic addiction (CA).

(4) The bill changes the name of the Commission on Mental Health to the Commission on Mental Health and Addiction.

(5) The bill changes the definition of a Class I Child Care Home to one that serves children who are at least enrolled in kindergarten (rather than first grade). FSSA reports this provision is expected to have no fiscal impact on the state.

<u>**Explanation of State Revenues:**</u> (Revised) *State Tax Intercept*: Under the bill, if a family is more than 60 days delinquent in making First Steps cost participation payments, the DMHA would be authorized to (1) add interest to the unpaid balance until paid in full and (2) request the Department of State Revenue (DOR) to set off a person's state tax refund to apply to any unpaid balances. This process may increase revenue

received by agencies that provide First Steps services as well as revenue received by the DOR. The actual increase in revenue is indeterminable; however, the FSSA estimates this provision may increase revenue received from state tax intercepts by at most $200,000 annually.

(Revised) *First Steps Program*: FSSA reports the changes in the bill will allow the Administration to increase revenue the state receives from group insurance plans for public employees through a capitated rate or monthly fee for First Steps services. The implementation of capitated rates is expected to increase state revenue from TPL payments for First Steps services; however, any increase in revenue from TPL payors is indeterminable.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: FSSA, Legislative Services Agency.

Local Agencies Affected:

Information Sources: Susie Howard, FSSA; Gina Eckart, DMHA.

Fiscal Analyst: Bill Brumbach, 232-9559.