GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: **The Honorable Linda W. Cropp**
Chairman, Council of the District of Columbia

FROM: **Natwar M. Gandhi**
Chief Financial Officer

DATE: **June 17, 2003**

SUBJECT: **Fiscal Impact Statement: "Amendment to the Medicaid State Plan State Substance Abuse Rehabilitation Option Approval Resolution of 2003."**

REFERENCE: **Draft Legislation – Bill Number Not Available**

Conclusion

Funds are sufficient in the FY 2004 through FY 2007 budget and financial plan to provide necessary staff and payments for services covered under the proposed amendment to the Medicaid State Plan (MSP). The proposed MSP would result in a local fund savings of $2,474,084 in FY 2004 and $11,948,015 for the period of FY 2004 through FY 2007. **Unless an alternative budget decision is made, the local fund savings in APRA's baseline budget would be used to increase service capacity and/or the number of individuals served and to cover the additional administrative cost of managing the program.**

Background

The proposed legislation amends the District of Columbia's MSP in order to broaden services to cover rehabilitative substance abuse treatment.

Currently, under the District of Columbia's MSP, the only substance abuse treatment services covered are inpatient services for adults and Early Periodic Screening, Diagnosis and Treatment for children. Amending the District of Columbia's MSP would create an entitlement for eligible adults, adolescents and children to an array of substance abuse rehabilitative treatment services.

The covered Medicaid services would include:

Level I (Basic Outpatient) – Non-residential services totaling fewer than nine (9) hours a week. Most outpatient abstinence and narcotic treatment programs fall into this level of care. Service settings include the following certified programs: outpatient programs, opioid ethadone/LAAM) outpatient programs, and outreach to the client in the community or in his/her home.

Level II (Intensive Outpatient) – Regularly scheduled services providing a minimum of nine (9) hours a week in a structured program. Service settings include the following certified programs: outpatient programs, opioid (methadone/LAAM and other drugs related to opioid treatment) outpatient programs, and intensive outpatient programs.

Level III (Sub-Acute Non-Hospital Medically Monitored Detoxification, Non-Hospital Residential Treatment Programs, Day Treatment) – Structured program offering twenty (20) or more hours of services per week for day treatment or twenty-four (24) hours per day for detoxification or residential with ready access to medical, psychiatric, laboratory services. Service settings include the following certified programs: medically monitored detoxification programs with sixteen beds or less, non-hospital residential programs with sixteen beds or less and day treatment programs.

Eligible providers must be fully or provisionally certified by the District of Columbia Department of Health (DOH), as meeting minimum standards of operation as specified in Chapter 23 of Title 29 of the DC Municipal Regulations. Providers deemed conditionally certified will not be eligible.

Service payment is based on a fee-for-service rate schedule developed by an independent consulting firm. Administration of the program is the responsibility of the DOH Addiction Prevention and Recovery Administration (APRA).

Financial Plan Impact

Currently, substance abuse treatment services are locally funded. The proposed amendment to the MSP would make the District of Columbia eligible for 70 percent federal financial participation (FFP) for these same services. In FY 2004, the FFP would result in a local fund savings of $2,474,084 in APRA's baseline budget. This figure is based on estimates from APRA that 20 percent of its consumers (projected to be 2,200 annually) are Medicaid eligible. The estimated cost to serve the same number of consumers in FY 2004 is $3,534,405 and $17,068,590 for the period FY 2004 through FY 2007. **Unless an alternative budget decision is made, the local fund savings in APRA's baseline budget would be used to increase service capacity and/or the number of individuals served and to cover the additional administrative cost of managing the program.**

It is difficult to project the increase in service capacity or number of additional consumers that would be served for several reasons. For instance, the new business model for service delivery brought about by the Choice in Drug Treatment Act (Bill 13-329, enacted in April 2000) requires at least one year of experience to determine changes in unit costs by modality of care. The new system, implemented this fiscal year, is client-driven as opposed to program-driven. Also, this state plan amendment authorizes reimbursement for some rehabilitation services that are not currently offered routinely, but are expected to improve outcomes by reducing the rate of recidivism and increasing the rate of recovery. Again, some historical data would be required to determine the new cost of service per member, which would then allow for a projection of the number of additional consumers that can be served each year from the additional federal revenue.

The following table shows the FY 2003 through FY 2007 budgeted amount, the 70 percent federal reimbursement if the proposed legislation is approved (savings to the local fund), and the resulting local share.

	FY 2003 ***(3 month impact)***	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**TOTAL**
Budget	$862,050	$3,534,405	$3,879,225	$4,224,045	4,568,865	$17,068,590
Federal Share	$603,435	$2,474,084	$2,715,458	$2,956,832	$3,198,206	$11,948,015
Local Share	$258,615	$1,060,322	$1,163,768	$1,267,214	$1,370,660	$5,120,579

1-Budget cost includes Service Cost and Administration loading.
2-Federal Share (70 percent federal Medicaid reimbursement) reflects savings to local fund from budgeted amount.