

**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

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

**DATE:** DEC -4 2007

**SUBJECT:** Fiscal Impact Statement: "Medicaid Psychiatric Residential Treatment Facilities State Plan Amendment Approval Resolution of 2007"

**REFERENCE:** Draft Resolution – Number Not Available

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**Conclusion**

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed resolution. The proposed resolution would result in an estimated savings of \$4.95 million in FY 2008 and a savings of \$25.15 million over the FY 2008 through FY 2011 period.

**Background**

The proposed State Plan Amendment (SPA) would make changes to the State Plan to affirm the Centers for Medicare and Medicaid (CMS) guidance concerning Psychiatric Residential Treatment Facilities (PRTFs), and is intended to ensure that the District would obtain the federal matching share for inpatient psychiatric services provided to children through the PRTFs. At a meeting on August 30, 2007 between the Office of the City Administrator (OCA), Office of the Chief Financial Officer (OCFO), Committee on Health, and the Medical Assistance Administration (MAA), the decision was made to make the following changes to the SPA. If approved, the proposed SPA would:

- Increase the District's per diem payment rate from approximately \$250 per day to \$343 per day;

- Pay the lesser of the District's Medicaid rate, the Medicaid rate in the state in which the facility resides, or the facility's charges; and
- Allow for a negotiated rate in cases where there have been at least three unsuccessful attempts to place the child in a PRTF because the acuity level of the child could not be met by the rate.

**Financial Plan Impact**

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed resolution.

The proposed SPA would result in an estimated savings of \$4.95 million in FY 2008 and a savings of \$25.15 million over the FY 2008 through FY 2011 period. Such savings would be a result of converting private PRTF placements into Medicaid placements, which would reduce the net cost to the District due to federal reimbursements from CMS.

This fiscal impact statement assumes that facilities which are not currently Medicaid providers and which have residential rates above \$250 (the current per diem payment rate) but below \$343 (the proposed per diem payment rate) would become Medicaid providers if the proposed SPA is approved. This fiscal impact statement does not take into account the potential for higher payment rates due to the negotiated rate provision of the proposed SPA, as these costs are uncertain and cannot be quantified at this time.

<b>Fiscal Impact on the Budget and Financial Plan</b>					
	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>4 Year Total</b>
<b>(A) Current PRTF Spending Estimates (100% local dollars; no rate increase)</b>	(\$7.94m)	(\$10.59m)	(\$10.80m)	(\$11.02m)	(\$40.35m)
<b>(B) Local Share if Proposed SPA is Approved</b>	(\$2.99m)	(\$3.99m)	(\$4.07m)	(\$4.15m)	(\$15.2m)
<b>(C) Federal Share if Proposed SPA is Approved</b>	\$6.97m	\$9.30m	\$9.49m	\$9.68m	\$35.44m
<b>(D) Net savings if Proposed SPA is Approved (Difference between current local spending, "A," and local spending under proposed SPA, "B.")</b>	<b>\$4.95m</b>	<b>\$6.6m</b>	<b>\$6.73m</b>	<b>\$6.87m</b>	<b>\$25.15m</b>

These amounts are included in public providers' FY 2008 through FY 2011 budgets and financial plans. Assuming an implementation date of Jan 1, 2008. A utilization growth rate of 2% is applied from FY 2009 through FY 2011.