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

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Kwame R. Brown** **Chairman, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** **Chief Financial Officer**
DATE:	**October 19, 2011**
SUBJECT:	**Fiscal Impact Statement – "Adult Substance Abuse Rehabilitative Services State Plan Amendment Approval Resolution of 2011"**
REFERENCE:	**Draft resolution shared with OCFO on September 21, 2011**

Conclusion

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the provisions of the proposed resolution.

Background

Under federal and District of Columbia law,[1] the Mayor may submit a plan for medical assistance (the "State Plan"), and modifications thereof, to the Secretary of the U.S. Department of Health and Human Services. The State Plan and any amendments must first be submitted to the Council for approval.[2] This proposed resolution would approve the proposed State Plan amendment that provides adult Medicaid beneficiaries in the District with access to an Adult Substance Abuse Rehabilitative Services (ASARS) Program.[3]

The ASARS Program, developed jointly by the Department of Health Care Finance (DHCF) and the Department of Health's Addiction Prevention and Recovery Administration (APRA), is intended to reduce or ameliorate substance use disorder (defined as either substance abuse or substance

[1] In accordance with section 1(a) of "An Act To Enable the District Of Columbia To Receive Federal Financial Assistance Under Title XIX Of the Social Security Act For a Medical Assistance Program, and For Other Purposes," approved December 27, 1967 (81 Stat. 744; D.C. Official Code § 1-307.02).
[2] Section 2205 of the "Service Improvement and Fiscal Year 2000 Budget Support Act of 1999," effective October 20, 1999 (D.C. Law 13-38).
[3] In accordance with 42 C.F.R. § 440.130(d).

dependence) through therapeutic interventions that help a beneficiary to restore maximum functionality. The program is currently available to D.C. residents, and is fully funded by local resources. Under the proposed amendment, the program would be partially funded by federal Medicaid funds for those residents eligible for Medicaid.

Financial Plan Impact

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement this State Plan amendment.

If the State Plan amendment is approved, Medicaid would begin covering some ASARS services currently provided to adults with local funds through APRA. As a result, net local costs for the program should decline. In FY 2012, the program has an approved budget of $18.4 million, which is greater than the projected local costs depicted in the table below.

However, potential cost savings cannot be determined at this time. DHCF is currently working with the Centers for Medicare and Medicaid Services (CMS) to clarify, and potentially waive out of, the requirement that "a facility where ASARS treatment is delivered shall be limited to having sixteen (16) beds or less, and be sufficiently geographically disparate as to not be considered an institution for mental diseases," a clause included in the amendment to comply with CMS regulations. This requirement, if a waiver from CMS is not possible, would likely exclude all existing facilities in the District of Columbia, significantly lowering the amount of ASARS costs Medicaid would cover under the amendment.

Using the assumption that no waiver is available and all D.C. facilities are excluded under the above requirement, the projected costs of the amendment for FY 2012 through FY 2015 are as follows:[4]

Estimated Costs for
Adult Substance Abuse Rehabilitative Services
State Plan Amendment Approval Resolution of 2011
FY 2012 – FY 2015

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	Total
Local Costs	$14,495,995	$15,481,723	$16,534,480	$17,658,824	$64,171,022
Medicaid Costs	$4,062,822	$4,339,094	$4,634,152	$4,949,275	$17,985,343
Total Costs	$18,558,817	$19,820,816	$21,168,632	$22,608,099	$82,156,364

[4] Assumes 6.8 percent growth rate in Medicaid costs, which is the CMS published national average and was used in the FY 2013 Current Services Funding Level budget.