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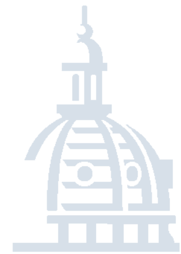

HF 2402 – Psychiatric Medical Institutions for Children, Medicaid Rates (LSB5260HV)
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Fiscal Note Version – New

Description

House File 2402 relates to Medicaid reimbursement for psychiatric medical care in institutions for children. **Section 1** of the Bill:

- Requires the Department of Health and Human Services (HHS), no later than January 1, 2025, to use a competitive bidding process to issue an invitation to bid to select one or more currently licensed psychiatric medical institutions for children (PMICs) with specialized needs.
- Requires the HHS to implement a Medicaid program enhanced reimbursement methodology for PMICs based on patient acuity.

Section 2 of the Bill requires the HHS to review administrative rules regarding PMICs and to update the rules according to the findings of the Association of Children's Residential Centers' most recent nationwide survey and scan of psychiatric residential treatment facilities, and the recommendations of the Coalition for Family and Children's Services in Iowa, to:

- Allow a physician assistant or advanced registered nurse practitioner to serve on a plan of care team and the team to complete the certification of need for PMIC placement services.
- Remove the reserve bed day limitations for hospitalizations and expand the number of other therapeutic absences beyond 30 days.
- Allow licensed professionals, based on competencies rather than license type, to order the use of restraints or seclusions.
- Require therapy and behavioral health intervention services for individuals and families to be included as required services provided during a placement at a PMIC.
- Provide reimbursement codes to cover services beyond those provided outside the PMIC care team.
- Standardize managed care organization (MCO) rules and authorizations for PMICs.
- Allow a previously licensed PMIC with capacity to increase its licensed capacity to include additional beds without further review including by the Health Facilities Council.
- Allow for step-down PMIC placements or supervised apartment living for a child to utilize PMIC programs while living independently in a smaller residential setting without 24-hour supervision.

Background

Iowa Code chapter 135H defines a PMIC as an institution providing more than 24 hours of continuous care involving long-term psychiatric services to 3 or more children in residence for expected periods of 14 or more days for diagnosis and evaluations or for expected periods of 90 days or more for treatment.

Enhanced reimbursement rates provide funding for services to Medicaid members based on the severity of the member's needs. Reimbursement to providers is higher for members with more severe needs and lower for members with less severe needs, as documented by a reliable assessment. Currently, Iowa's Medicaid program reimburses providers for each child in a PMIC with no differentiation for the severity of their needs.

Final federal fiscal year (FFY) 2025 Federal Medical Assistance Percentage (FMAP) rates are based on per capita personal incomes for calendar years 2020 through 2022. Iowa's FFY 2025 FMAP rate decreased by -0.88% to 63.25%, meaning for every dollar spent on the Medicaid program, the federal government will pay $0.6325 and Iowa will pay $0.3675, beginning on October 1, 2024.

Assumptions

- According to the HHS, there are currently eight PMIC providers, one of which operates with an enhanced fee. The average stay in a PMIC is approximately 120 days. The regular per diem rate for PMICs is $465, with one provider receiving an enhanced per diem rate for higher acuity needs of $763 (a $298 increase), which is assumed as the enhanced rate for this ***Fiscal Note***.
- According to the HHS, based on FY 2022 data, it is estimated there will be an 8.7% increase in bed day services at the enhanced rate, from approximately 55,000 per year to 60,000 per year.
- The Program will begin on January 1, 2025, reducing the fiscal impact in FY 2025 by 50.0%.
- For State FY 2025, the State share for provider reimbursement is approximately 36.53%, which is a blended FMAP rate consisting of 25.0% of the FFY 2024 FMAP rate and 75.0% of the FFY 2025 FMAP rate. In FY 2025, the enhanced rate to providers is expected to cost $777,000 total, with the State paying $284,000 and the federal government paying $493,000.
- For State FY 2026, the State share for provider reimbursement is approximately 36.75%, or the State share of FY 2025 Medicaid costs via the FMAP rate. Beginning in FY 2026 and continuing annually, the enhanced rate is expected to cost $1.6 million total, with the State paying $571,000 and the federal government paying $983,000.
- According to the HHS, an actuarial services contract to analyze the development of provider rates is necessary to administer the Bill, costing $100,000 in FY 2025 (split 50.0% each between the State and the federal government).
- According to the HHS, a Medicaid Management Information System (MMIS) contract amendment to properly identify claims and pay at enhanced rates is necessary to administer the Bill, costing $141,000 in FY 2025 (1,370 programming hours at $103 per hour), with the State paying 25.0% and the federal government paying 75.0%.
- An increase in the General Fund appropriation to the HHS for Medicaid will be necessary to pay for costs in the Bill.
- According to the HHS, review and update of the following rules is anticipated to have a fiscal impact that cannot be estimated due to a lack of data:
  - The rules to require therapy and behavioral health intervention services for individuals and families to be included as required services provided during a placement at a PMIC would allow a person to see the person's current therapist; allow the PMIC to receive a per diem; update detailed rates for therapists; and decrease the number of days stayed at a PMIC, an inpatient hospital, or out-of-state facilities (costing $630 per day). These rules may have an offsetting cost to reduce the fiscal impact.
  - The rules to provide reimbursement codes to cover services beyond those provided outside the PMIC care team would decrease the number of days stayed in a PMIC, inpatient hospital, or out-of-state facility, while potentially increasing utilization. These rules may have an offsetting cost to reduce the fiscal impact.
  - The rules to standardize MCO rules and authorizations for PMICs would increase costs due to an increase in authorization days, prohibiting an MCO from denying PMIC authorizations, and requiring an MCO to offer support to families, a service that is currently available but not utilized.

- The rules to allow for step-down PMIC placements or supervised apartment living for a child to utilize PMIC programs while living independently in a smaller residential setting without 24-hour supervision would increase utilization of community-based services for the foster care populations ages 16 to 20 that would be impacted, as those members may currently be living in supervised apartments.

Fiscal Impact

Section 1 of House File 2402 is estimated to increase costs to the State by approximately $369,000 in FY 2025 and $571,000 annually beginning in FY 2026.

Figure 1 — Total Costs of Enhanced Rate to PMICs

Expense Category	FY 2025		FY 2026	
	Total	State	Total	State
Actuarial Services Contract	$ 100,000	$ 50,000	$ 0	$ 0
MMIS Contract	141,000	35,000	0	0
Enhanced Rate to Providers	777,000	284,000	1,553,000	571,000
Total Costs	**$ 1,018,000**	**$ 369,000**	**$ 1,553,000**	**$ 571,000**

Section 2 of the Bill is expected to have a fiscal impact that cannot be estimated due to a lack of data.

Sources

Department of Health and Human Services
LSA analysis

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.