Department of Planning and Budget 2025 General Assembly Session State Fiscal Impact Statement

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Bill Number: HB 1893 Patron: Seibold

Bill Title: State plan for medical assistance services; recovery residences; work group; report

Bill Summary: The proposed legislation directs the Board of Medical Assistance Services to amend the state plan for medical assistance services to include a provision for payment of care provided at certain recovery residences for individuals diagnosed with a substance use disorder. The bill also directs the Department of Behavioral Health and Developmental Services (DBHDS) to (i) convene a work group of relevant stakeholders to (a) establish a monitoring and evaluation framework to assess the effectiveness and impact of recovery residences on long-term recovery outcomes and (b) study the economic impact of recovery residences on the Commonwealth and (ii) in consultation with such work group, promulgate regulations to ensure recovery residences are operating in compliance with American Society of Addiction Medicine standards. The bill directs the work group to report its findings and recommendations to the Chairs of the House Committee on Health and Human Services and the Senate Committee on Education and Health by November 1, 2025.

Budget Amendment Necessary: Yes **Items Impacted:** 288, 292, 295

Explanation: Funding is required under Medicaid Program Services (Item 288), Administrative and

Support Services (Item 292), and Administrative and Support Services (Item 295).

Fiscal Summary: The proposed legislation will require expenditures for which the Department of Medical Assistance Services (DMAS) and DBHDS are not currently appropriated. See table and fiscal analysis below.

General Fund Expenditure Impact:

<u>Agency</u>	FY2025	<u>FY2026</u>	<u>FY2027</u>	FY2028	FY2029	FY2030
DM AS (602)	-	\$6,332,531	\$12,248,315	\$12,860,731	\$13,503,767	\$14,178,956
D BHDS (720)	-	\$200,000	-	-	-	-
TOTAL	-	\$6,532,531	\$12,248,315	\$12,860,731	\$13,503,767	\$14,178,956

Nongeneral Fund Expenditure Impact:

Agency	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	FY2030
DM AS (602)	-	\$33,975,536	\$70,298,625	\$73,813,556	\$77,504,234	\$81,379,446
D BHDS (720)	-	-	-	-	-	-
TOTAL	-	\$33,975,536	\$70,298,625	\$73,813,556	\$77,504,234	\$81,379,446

Fiscal Analysis:

Department of Behavioral Health and Developmental Services

This legislation creates additional administrative tasks for DBHDS. Initially, DBHDS is required to convene a workgroup to establish monitoring and evaluation framework for recovery residences and conduct an economic impact study on the impact the residences have on the Commonwealth. Additionally, DBHDS is to promulgate regulations to ensure recovery residences are operating in compliance with American Society of Addiction Medicine standards. The administrative costs of convening a workgroup and promulgating

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regulations can be absorbed in existing resources, however, conducting an economic impact study will likely require a consultant as DBHDS does not have the resources to perform this function. Based on other economic impact studies, the cost will be approximately \$200,000 to contract with an appropriate consultant.

Department of Medical Assistance Services

The bill requires DMAS to provide for the payment of "medical assistance for care provided at level two, three, and four recovery residences for individuals diagnosed with a substance use disorder" upon its effective date. However, such coverage cannot be provided without service design and approval from the Centers for Medicare and Medicaid Services. Therefore, it is assumed that DMAS would develop the services in FY 2026 and medical assistance services costs would begin January 1, 2026.

Developing the required recovery residency services would require effort and expertise that is not available within existing DMAS resources. DMAS reports that this requirement would necessitate the development of services, protocols, and cost projections associated with these services. This would also include the development of actuarially sound rates for capitation and fee-for-service programs. It is also assumed the contractor would be informed by DBHDS efforts. Based on previous experiences, DMAS estimates that this bill would require one-time administrative funding of approximately \$1,000,000 (\$500,000 general fund) to procure the expertise, including actuarial services for rate development, necessary to develop this benefit within the timeframe required in the bill.

There is no way to determine an exact fiscal impact on medical assistance costs prior to completing the service design described above. However, using the following data and assumptions, DMAS was able to generate a general estimate as to the potential magnitude of the services authorized by the bill.

- All members utilizing substance use disorder residential services (11,972) would qualify for the recovery residency benefit.
- Each member would equally share the rent with two other residents (threes residents per recovery residence).
- Members coverage would be 30 percent base Medicaid and 70 percent expansion Medicaid.
- The average length of stay at a recovery residency would be 10 months.
- The median rent in Virginia is \$1,950.

Based on the above, DMAS estimates that services required in the bill would have an annual cost of approximately \$78.6 million (\$11.7 million general fund) in the first full year of implementation. As such, the estimated medical assistance costs in FY 2026 (six months) is estimated to be \$39.3 million (\$5.8 million general fund). After which service costs are expected to grow by five percent year. Again, this impact is provided to demonstrate the potential future impact; to the extent Virginia's program design varies so will costs. Should additional information become available, this statement will be modified.

Other: The introduced budget includes language in Item 288 that requires a reserve amount be appropriated for new Medicaid initiatives. In addition to the cost of the initiative, the reserve equals the difference between the general fund appropriated for the initiative in FY 2026 and the highest annual general fund cost

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of the initiative over the next six fiscal years. While not reflected in the table above, the reserve amount is estimated at \$9.1 million general fund for the initiative required by this bill. Act language also delays initiative implementation until the reserve requirement is met.