

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

to waive the IMD exclusion through an 1115 SMI waiver. If approved, such a waiver would allow federal reimbursement of previously disallowed services. The introduced budget includes authorization and funding for DMAS to proceed with an 1115 SMI waiver to gain coverage for services provided in acute care in psychiatric hospitals or residential treatment that qualify as an IMD. However, without federal approval and associated reimbursement DMAS would not expand coverage. The expenditure tables above reflect the costs included in the introduced budget and assume federal approval of an 1115 SMI waiver. Without such approval, these costs would not occur.

The bill would require DMAS to amend the Virginia Administrative Code to remove the prohibition that crisis stabilization services for nonhospitalized individuals cannot be provided in IMDs. In addition, DMAS is directed to seek all necessary federal approvals. As such, it is unclear as to whether the bill would require DMAS to proceed with covering the currently excluded services regardless of federal rules. Should the bill's provisions require DMAS to proceed with the coverage of these services without federal authorization through an 1115 waiver, all service costs would have to be entirely covered with general fund dollars. Moreover, the bill's provisions are exempt from the Administrative Process Act and include an emergency clause. As such, DMAS would not wait for federal approval and all provisions would be effective upon enactment. Under such a scenario, FY 2026 costs would increase, and some may shift to FY 2025.

Other: This bill is a companion to SB 1304.