

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

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**ORIGINAL**

**Bill Number:** SB 1304

**Patron:** McPike

**Bill Title:** Crisis stabilization services for nonhospitalized individuals; state plan for med. assistance serv

**Bill Summary:** The proposed legislation directs the Department of Medical Assistance Services (DMAS) to remove the prohibition that crisis stabilization services for nonhospitalized individuals cannot be provided in institutions for mental disease (IMD). The bill contains an emergency clause.

**Budget Amendment Necessary:** See Explanation **Items Impacted:** 288, 292

**Explanation:** The introduced budget authorizes and provides funding for DMAS to seek federal approval to waive the Medicaid IMD exclusion. However, DMAS cannot proceed without federal authorization. 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 separately 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 DMAS be required to proceed without an authorized 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. If DMAS does not have to wait for federal approval, then all provisions would be effective upon enactment.

**Fiscal Summary:** The expenditure tables below reflect the costs included in the introduced budget for removing the IMD exclusion through a federally approved 1115 serious mental illness (SMI) waiver. As such, all medical assistance costs assume federal matching dollars and do not begin until October 2025. Should the bill’s provisions require DMAS to proceed with the coverage of these services prior to federal approval, FY 2026 costs would increase, and some may shift to FY 2025. In addition, all federal costs would have to be covered with general fund dollars.

**General Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
DMAS (602)	\$162,825	\$998,595	\$1,424,598	\$1,552,967	\$1,692,903	\$1,845,449

**Nongeneral Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
DMAS (602)	\$337,175	\$2,521,478	\$3,052,260	\$3,327,297	\$3,627,116	\$3,953,952

**Fiscal Analysis:** Section 1905(a)(B) of the Social Security Act, commonly referred to as the IMD exclusion, prohibits “payments with respect to care or services for any individual who has not attained 65 years of age and who is a patient in an institution for mental diseases” except for “inpatient psychiatric hospital services for individuals under age 21.” In recent years, the Centers for Medicare and Medicaid Services has allowed states

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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 HB 2534.