

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

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ORIGINAL

Bill Number: HB 2534 ER **Patron:** Sewell
Bill Title: Crisis stabilization services for nonhospitalized individuals; state plan for med. assistance serv

Bill Summary: The enrolled bill directs the Department of Medical Assistance Services (DMAS) to seek necessary federal approvals to remove the prohibition against the use of crisis stabilization services for nonhospitalized individuals in institutions for mental disease (IMD). Upon receiving federal approval, DMAS is authorized to implement such change through agency guidance documents prior to the completion of any regulatory review process and shall promulgate regulations to implement the provisions of such change to be effective within 280 days of receiving federal approval.

Budget Amendment Necessary: No **Items Impacted:** 288, 292
Explanation: The introduced budget authorizes and provides funding for DMAS to seek federal approval to waive the Medicaid IMD exclusion. As such, no additional funding needs to be added.

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. The bill's provisions are expected to fall within the scope of the proposed waiver. As such, the appropriation needed to cover the bill's estimated costs are already included in the introduced budget. No additional fiscal impact is expected.

General Fund Expenditure Impact:

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

Nongeneral Fund Expenditure Impact:

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
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 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.

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The bill's provisions are expected to fall within the scope of the services that would be reimbursed by Medicaid under the authorized 1115 waiver. As such, appropriation needed to cover the bill's estimated costs are already included in the introduced budget. No additional fiscal impact is expected.

Other: This bill is a companion to SB 1304.