



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

January 8, 2024

Honorable Carden Summers
State Senator
121-J Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
Senate Bill (LC 33 9539)

Dear Senator Summers:

This bill would provide reimbursement rates for certain addiction treatment services provided to Medicaid recipients beginning January 1, 2025. It would also allow the Department of Community Health (DCH) to submit a Medicaid state plan amendment or waiver request to the United States Department of Health and Human Services for federal funding of such services.

The bill would increase annual state expenditures by an estimated \$19.5 million to \$21.4 million annually if DCH does not pursue a waiver request and services are utilized at rates consistent with SAMHSA data. Alternatively, state expenditures would increase by \$33.4 million annually if DCH pursues the federal requirements to become eligible for a Section 1115 demonstration waiver. The variation is attributable to several factors and assumptions as described below in two different cost scenarios.

Cost Estimate without a Waiver

Georgia's Medicaid program has not implemented the federal guidance necessary for requesting a waiver, so the costs associated with this bill would be covered by the state. If 15% of the Medicaid population¹ with substance abuse diagnosis receives services under this bill, state expenditures would increase by \$19.5 million to \$21.4 million annually.

The increase in expenditures is a result of extending coverage for substance use disorder (SUD) treatment to adults aged 21 through 64, which is a population excluded from federal funding under the Medicaid Institution for Mental Diseases (IMD) exclusion. Costs associated with members under the age of 21 would be offset by the Federal Medical Assistance Percentage (FMAP), which is expected to cover approximately 66% of treatment costs in FY 2025 (the remaining state's share would cost between \$118,000 and \$130,000 annually). The estimate includes reimbursement rates for fee-for-service (FFS) Medicaid recipients only because individuals in managed care can access these services through Care Management Organizations.

As shown in **Table 1**, projected reimbursement costs for Medicaid recipients will vary based on the type of service and the average length of treatment.

¹ The estimate is based on the calendar year 2023 FFS Medicaid population with a SUD as well as a hypothetical increase in diagnoses by 10%. In 2023, there were 316 adults under age 21 and 17,530 adults over age 21 in FFS Medicaid.

Table 1: Average Annual Reimbursement for FFS Medicaid Recipients

Service	Rate Per Day	Avg. Days ¹	Total Per Patient	Utilization Rate ²	Number of Patients ³	Projected Cost ⁴
Intensive Outpatient (IOP)	\$250.00	16	\$4,000	7.5%	1,338 – 1,472	\$5.3M - \$5.8M
Partial Hospitalization (PHP)	\$400.00	19	\$7,600	1.5%	268 – 294	\$2.0M - \$2.2M
ASAM Level 3.1 - Low-Intensity Residential (LIR)	\$200.00	57	\$11,400	0.1%	18 - 20	\$200K - \$221K
ASAM Level 3.3 - Medium-Intensity Residential (MIR)	\$395.00	41.2	\$16,274	0.1%	18 – 20	\$287K - \$316K
ASAM Level 3.5 - Long-Term Residential (LTR)	\$485.00	33.5	\$16,248	3.5%	625 – 684	\$10.0M - \$11.0M
ASAM Level 3.7 - Short-Term Residential (STR)	\$485.00	14.8	\$7,178	0.8%	143 – 187	\$1.0M - \$1.1M
ASAM Level 3.7WMM - Inpatient Withdrawal Management	\$485.00	5.6	\$2,716	1.3%	232 – 255	\$623K - \$685K
Total				15%		\$19.5M - \$21.4M

¹ The average number of days is based on typical clinical hours for rendering each service assuming an 8 hour workday (estimates are based on data from multiple other states).

² Anticipated utilization rates are based on data reported to the Substance Abuse and Mental Health Services Administration for the number of individuals in Georgia who received these services in 2022 (15% of the SUD population).

³ In 2023, there were 316 adults under age 21 and 17,530 adults over age 21 in FFS Medicaid. The low number of patients is based on the utilization rate for those individuals. Because SUD diagnoses may increase if treatment is covered, the higher patient count assumes a 10% increase in diagnoses.

⁴ The projected costs have been reduced by the estimated amount of federal reimbursement for recipients under age 21 (66.04% of costs or totaling between \$230,000 and \$253,000).

Cost Estimate with a Waiver

To obtain a waiver, Georgia’s Medicaid program must implement guidance from the Centers for Medicare and Medicaid Services (CMS), which would require, amongst other parameters, adoption of evidence-based SUD program standards and patient placement criteria. Failure to adequately adhere to CMS guidance can result in federal funds being withheld.

Using data from another state with a relatively mature program model and an approved Section 1115 demonstration waiver, a DCH analysis indicated that state expenditures for FY 2025 would increase by \$33.4 million initially. The increase in expenditures is attributed to additional services required to comply with federal guidance that allow the receipt of federal matching funds (see **Table 2**). The new services would add an ongoing cost of approximately \$32.7 million annually. Additionally, development and implementation of the program requirements for a waiver typically takes 12-24 months and would require external support, which existing contract data indicates this would add an additional \$653,000 in state costs for FY 2025.

Table 2: New Services will Increase Annual State Expenditures

Service Category	Definition	Cost PMPM ¹	Total Annual Cost ²	State's Share (33.96%)
Inpatient Mental Health	A per day hospital-based program which includes psychiatric and medical/social services required for the assessment and/or treatment of a primary diagnosis of mental illness.	\$116	\$54,288,000	\$18,436,205
Inpatient SUD Rehab Certified Inpatient Substance Use Disorder Rehab	Chemical Dependence Inpatient Rehabilitation and Treatment Services provided by state-certified facilities.	\$24	\$11,232,000	\$3,814,387
Inpatient SUD Detox Medically Managed	Detox services provided by state-certified facilities.	\$26	\$12,168,000	\$4,132,253
Inpatient SUD Detox Medically Supervised	Detox services provided by state-certified facilities.	\$26	\$12,168,000	\$4,132,253
Residential Per Diem	Reintegration, Rehabilitation, and Stabilization Service per diems	\$14	\$6,552,000	\$2,225,059
Total		\$206	\$96,408,000	\$32,740,157

¹Estimated state costs per member per month (PMPM) are based on data from another state for calendar year 2021.

²The total annual cost assumes 39,000 FFS members. The model does not include costs related to care coordination, administrative, or IT costs.

Respectfully,



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State Auditor



Richard Dunn, Director
Office of Planning and Budget

GSG/RD/ahs