Missouri 1115 Substance Use Disorder Institute for Mental Disease Waiver: Budget Neutrality

May 4, 2022

Mercer Government Human Services Consulting (Mercer) was engaged by the State of Missouri (State) and the Missouri Behavioral Health Council (Council) to develop budget neutrality (BN) projections for the State's Section 1115 Medicaid Demonstration Waiver Application for residential substance use disorder (SUD) services furnished in facilities that qualify as an Institution for Mental Disease (IMD). Mercer developed the BN projections in alignment with the Centers for Medicare & Medicaid Services (CMS) BN requirements, and the BN worksheets prepared by Mercer are included in Appendix A.

Mercer utilized certain data and information provided by the State and its providers in order to develop the estimates contained in the BN worksheets. Mercer has relied upon the State and the providers for the accuracy of the data and accepted them without audit. To the extent the data provided are not accurate, the results of this analysis may need to be modified to reflect revised information.

BN values in Appendix A are a projection of future costs based on a set of assumptions. Differences between Mercer's projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis.

Background

This document provides a summary of the BN modeling methodology for IMD services for which federal law would prohibit Medicaid federal financial participation absent an 1115 demonstration waiver.

CMS recommends two potential methodologies of demonstrating BN:

1. Per capita method: assessment of the per member per month (PMPM) cost of the Demonstration.
2. Aggregate method: assessment of both the number of members and PMPM cost of the Demonstration.

The State has selected to demonstrate BN for the 1115 IMD SUD Waiver using the per capita method.

Overview

Through its 1115 waiver application, the State seeks to ensure access to a comprehensive continuum of SUD treatment services, align its SUD service continuum with American Society of Addiction Medicine (ASAM) criteria, and reimburse all residential SUD providers based on a newly developed ASAM fee schedule. The State also seeks 1115 waiver authority to claim federal financial participation for residential SUD services provided to Medicaid eligibles in an IMD.

Mercer collected and analyzed historical residential SUD utilization data and residential SUD provider survey data. This information was used to develop PMPM costs, along with an estimated caseload. Using the 1115 IMD BN template provided by CMS, the information was used to establish Without Waiver (WoW) and With Waiver (WW) BN projections. More detail on the components of the analysis is provided below.

Medicaid Eligibility Group

BN projections were developed for the following three Medicaid eligibility groups (MEGs):

- SUD Medicaid Fee-For-Service (FFS) Beneficiaries: Medicaid eligibles who access Medicaid coverage through the FFS delivery system and who receive residential SUD services in an IMD.
- SUD Medicaid Managed Care Beneficiaries: Medicaid eligibles who access Medicaid acute care coverage through the managed care delivery system (i.e., those who are not part of the Adult Expansion Group [AEG]) and who receive residential SUD services in an IMD. This population has been covered in managed care for several years.
- SUD Managed Care AEG: Medicaid eligibles in the AEG who access Medicaid acute care coverage through the managed care delivery system and who receive residential SUD services in an IMD. Medicaid coverage for this population began effective July 1, 2021.

Historical Base Data

The majority of residential SUD providers currently operate sites with 16 or fewer beds; these sites are not considered IMDs. Therefore, the State provided Mercer with several years of detailed historical Medicaid residential SUD utilization data by person and site. To understand which providers plan to expand their capacity beyond 16 beds and become IMDs, Mercer worked with the State to administer a data request directly to the residential SUD facilities and collected information on whether each provider was planning to expand and by how many beds. There were a few residential SUD provider sites that currently have more than 16 beds, so the data request also collected information on these sites given they are not currently Medicaid reimbursable and were not reflected in the detailed residential SUD utilization data. Mercer analyzed the detailed residential utilization data and selected calendar year (CY) 2019 as the historical representative data year for purposes of developing the BN projection.

As part of the terms of this 1115 demonstration waiver, the State will transition to ASAM level of care criteria and a new reimbursement structure. To account for projected residential SUD costs under ASAM reimbursement, Mercer relied on the CY 2019 residential SUD utilization information, anticipated utilization distributions by ASAM level of care, and Medicaid State Plan ASAM fee schedule rates.

In addition to the residential SUD costs, Mercer also considered costs for other State Plan services incurred during the month of each member's residential SUD stay. For individuals in the FFS MEG, this was accomplished by linking State Medicaid FFS data and the residential individuals' residential stay dates. For the Managed Care MEG (excluding AEG MEG), this was done by leveraging managed care capitation rates and considering any FFS costs for these individuals for services carved out of managed care.

Since the State did not begin covering the AEG in Medicaid until July 2021, there was limited historical residential SUD utilization data available specific to this population. Therefore, Mercer leveraged the Managed Care MEG residential SUD projections and made adjustments to address expected differences in residential SUD utilization between the traditional Managed Care and the AEG populations. Mercer also considered the AEG managed care capitation rates and considered FFS costs for services carved out of managed care. Since historical FFS carve-out data did not exist for this population, adjustments were applied to the FFS carve-out costs for the Managed Care MEG to address the expected difference in health status between the populations.

Modeling Assumptions

The State is requesting an effective date of October 1, 2022 for this waiver (i.e., demonstration year [DY] 01 is federal fiscal year [FFY] 2023). To project per capita costs for DY, Mercer applied an annual trend factor to the CY 2019 base year per capita costs described above. The data were projected forward 45 months from the midpoint of CY 2019 to the midpoint of FFY 2023. Beyond DY 01, PMPMs were trended forward on an annual basis to DY 02 through DY 05. Consistent with CMS's guidance in the IMD BN template, the President's Budget trend of 4.8% per year was utilized.

To inform the projected caseload assumptions, Mercer considered State and provider feedback related to the increased demand for residential SUD services as a result of the AEG becoming Medicaid eligible effective July 1, 2021, anticipated bed expansions by current residential SUD facilities, current IMDs who are planning to come online with the approved waiver, and other anticipated bed expansions during the five year demonstration period. Mercer also reviewed historical membership trends in the managed care and FFS populations. Based on this information, the DY 01 caseloads were developed and an annual caseload growth rate of 2.0% was assumed.

In accordance with CMS guidance for IMD 1115 demonstration waivers, the WoW and WW projections have identical assumptions, which results in the projected per capita and total spending being equivalent (i.e., no assumed waiver savings exist within this 1115 projection), consistent with CMS guidance for treatment of hypothetical MEGs.

Results

Across the five-year waiver demonstration period (DY 01–DY 05), the per capita cost projections generate a total cost estimate of $726,305,376. The caseload and per capita estimates by DY for both the WoW and WW projections are provided in Appendix A.

Caveats and Limitations

In preparing these projection estimates, Mercer relied on provider-specific information and guidance from the State. Mercer reviewed the data and information for internal consistency and reasonableness, but did not audit them. These projection estimates are being provided to facilitate CMS' review in advance of the State's 1115 IMD SUD waiver effective date. Through ongoing discussions with the State and CMS, additional information may become known that would necessitate modification of these projections. If changes become necessary, Mercer will revise these projections and update the enclosed appendix, accordingly.

The suppliers of data are solely responsible for its validity and completeness. Mercer has reviewed the data and information for internal consistency and reasonableness, but did not audit it. All estimates are based upon the information and data available at a point in time and are subject to unforeseen and random events, and actual experience will vary from estimates.

The assumptions outlined throughout this narrative are based upon Mercer's understanding of the populations, services, and provisions to be included in the State's waiver. To the extent changes to the program design are made, these projections may be impacted and need to be updated accordingly. Further, Mercer acknowledges that CMS review may necessitate changes to the proposed projections. As such, the information included in this report should be considered draft and subject to change.

This methodology document assumes the reader is familiar with the State's 1115 IMD SUD waiver application and actuarial projection techniques. It is intended for the State and should not be relied upon by third parties. Other readers should seek advice of qualified professionals to understand the technical nature of these results. This document should only be reviewed in its entirety. **This document is not intended for broad distribution beyond Mercer, the State, the Council, its stakeholders (including the public notice and comment processes and related stakeholder engagement), and CMS.** Mercer expressly disclaims responsibility, liability, or both for any reliance on this communication by third parties or the consequences of any unauthorized use.

Appendix A: BN Worksheets

Appendix A

IMD Historical

Representative Data Year:	2019
Type of State Years:	Calendar

SUD Medicaid FFS Beneficiaries	**2019**
TOTAL EXPENDITURES	$25,935,473
ELIGIBLE MEMBER MONTHS	3,640
PMPM COST	$7,125.13

SUD Medicaid Managed Care Beneficiaries	
TOTAL EXPENDITURES	$13,053,695
ELIGIBLE MEMBER MONTHS	2,788
PMPM COST	$4,682.10

SUD Managed Care Adult Expansion Group	
TOTAL EXPENDITURES	$42,567,499
ELIGIBLE MEMBER MONTHS	6,950
PMPM COST	$6,124.82

Continue MEGs from Above, As Needed

						2019				
						Choose "Included" from Drop-Down(s) to Link Services with MEG(s)				
Alternate Development: IMD Services + Non-IMD & Non-Hypo CNOMs	**Estimated Total Expenditures for Medical Assistance Provided in an IMD that are:**		**Managed Care PMPM (Replicate Column, as Necessary)**			**CURRENT State Plan Service(s)**			**NOT CURRENT State Plan Svc(s)**	
IMD Services	**Currently State Plan FFS (e.g. Carved Out) or Not Currently State Plan but Otherwise Approvable (Including Pending SPAs)**	**Absent 1115 Authority, Not Otherwise Eligible for FFP Under Title XIX, or "Costs Not Otherwise Matchable" ("Non-IMD" or "Non-Hypo" CNOMs)**	**Capitated PMPM for Currently Approved, non-IMD, State Plan or Other Title XIX Services**	**Estimated Eligible Member Months for All Medical Assistance Provided in an IMD**	**Estimated PMPM Cost for All Services Provided in an IMD**	**SUD Medicaid FFS Beneficiaries**	**SUD Medicaid Managed Care Beneficiaries**	**SUD Managed Care Adult Expansion Group**	**Non-IMD Services CNOM Limit MEG**	**Non-Hypothetical Services CNOM MEG**
Service 1			$0		#DIV/0!					
Service 2			$0		#DIV/0!					
Service 3			$0		#DIV/0!					
Service 4			$0		#DIV/0!					
Service 5			$0		#DIV/0!					
Service 6			$0		#DIV/0!					
Service 7			$0		#DIV/0!					
Service 8			$0		#DIV/0!					
Service 9			$0		#DIV/0!					
Service 10			$0		#DIV/0!					
Service 11			$0		#DIV/0!					
Service 12			$0		#DIV/0!					
Add additional services, as necessary			$0		#DIV/0!					
Totals						**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**

Appendix A

IMD Without Waiver

PB Trend Rate(s) Used:

SUD Medicaid FFS Beneficiaries	4.80%
SUD Medicaid Managed Care Beneficiaries	4.80%
SUD Managed Care Adult Expansion Group	4.80%
Non-IMD Services CNOM Limit MEG	

Start DY

ELIGIBILITY GROUP	PB TREND RATE	MONTHS OF AGING	LAST HISTORIC YEAR	DEMONSTRATION YEARS (DY) FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027	TOTAL WOW
SUD Medicaid FFS Beneficiaries									
Eligible Member Months	n.a.	n.a.	3640	4,738	4,833	4,929	5,028	5,129	
PMPM Cost	4.8%	45	$ 7,125	$ 8,495	$ 8,902	$ 9,330	$ 9,778	$ 10,247	
Total Expenditure				$ 40,247,841	$ 43,023,356	$ 45,990,261	$ 49,161,757	$ 52,551,929	$ 230,975,144
SUD Medicaid Managed Care Beneficiaries									
Eligible Member Months	n.a.	n.a.	2788	3,629	3,702	3,776	3,851	3,928	
PMPM Cost	4.8%	45	$ 4,682	$ 5,582	$ 5,850	$ 6,131	$ 6,425	$ 6,733	
Total Expenditure				$ 20,257,332	$ 21,654,280	$ 23,147,557	$ 24,743,817	$ 26,450,134	$ 116,253,121
SUD Managed Care Adult Expansion Group									
Eligible Member Months	n.a.	n.a.	6950	9,046	9,227	9,411	9,600	9,792	
PMPM Cost	4.8%	45	$ 6,125	$ 7,302	$ 7,653	$ 8,020	$ 8,405	$ 8,808	
Total Expenditure				$ 66,054,887	$ 70,610,020	$ 75,479,332	$ 80,684,414	$ 86,248,458	$ 379,077,111
Continue MEGs from Above, As Needed									
Non-IMD Services CNOM Limit MEG									
Eligible Member Months	n.a.	n.a.	n.a.	0	0	0	0	0	
PMPM Cost	0.0%	0	$ -	$ -	$ -	$ -	$ -	$ -	
Total Expenditure				$ -	$ -	$ -	$ -	$ -	$ -

IMD With Waiver

ELIGIBILITY GROUP	LAST HISTORIC YEAR	PB TREND RATE	DEMONSTRATION YEARS (DY) FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027	TOTAL WW
SUD Medicaid FFS Beneficiaries								
Eligible Member Months			4,738	4,833	4,929	5,028	5,129	
PMPM Cost	$ 7,125	4.8%	$ 8,495	$ 8,902	$ 9,330	$ 9,778	$ 10,247	
Total Expenditure			$ 40,247,841	$ 43,023,356	$ 45,990,261	$ 49,161,757	$ 52,551,929	$ 230,975,144
SUD Medicaid Managed Care Beneficiaries								
Eligible Member Months			3,629	3,702	3,776	3,851	3,928	
PMPM Cost	$ 4,682	4.8%	$ 5,582	$ 5,850	$ 6,131	$ 6,425	$ 6,733	
Total Expenditure			$ 20,257,332	$ 21,654,280	$ 23,147,557	$ 24,743,817	$ 26,450,134	$ 116,253,121
SUD Managed Care Adult Expansion Group								
Eligible Member Months			9,046	9,227	9,411	9,600	9,792	
PMPM Cost	$ 6,125	4.8%	$ 7,302	$ 7,653	$ 8,020	$ 8,405	$ 8,808	
Total Expenditure			$ 66,054,887	$ 70,610,020	$ 75,479,332	$ 80,684,414	$ 86,248,458	$ 379,077,111
Continue MEGs from Above, As Needed								
Non-IMD Services CNOM Limit MEG								
Eligible Member Months	n.a.		0	0	0	0	0	
PMPM Cost	$ -	0.0%	$ -	$ -	$ -	$ -	$ -	
Total Expenditure			$ -	$ -	$ -	$ -	$ -	$ -

Main Budget Neutrality Test (i.e. NOT Hypothetical)

Non-Hypothetical Services CNOM MEG

ELIGIBILITY GROUP	PB TREND RATE	MONTHS OF AGING	LAST HISTORIC YEAR	DEMONSTRATION YEARS (DY) DY 01	DY 02	DY 03	DY 04	DY 05	TOTAL WOW
Eligible Member Months	n.a.	n.a.	n.a.	0	0	0	0	0	
PMPM Cost	0.0%		$ -	$ -	$ -	$ -	$ -	$ -	
Total Expenditure				$ -	$ -	$ -	$ -	$ -	$ -

Appendix A

IMD Summary

Supplemetal Test #1: IMD Services Cost Limit
Without-Waiver Total Expenditures

	DEMONSTRATION YEARS (DY)					TOTAL
	FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027	
SUD Medicaid FFS Beneficiaries	$40,247,841	$43,023,356	$45,990,261	$49,161,757	$52,551,929	$230,975,144
SUD Medicaid Managed Care Beneficiaries	$20,257,332	$21,654,280	$23,147,557	$24,743,817	$26,450,134	$116,253,121
SUD Managed Care Adult Expansion Group	$66,054,887	$70,610,020	$75,479,332	$80,684,414	$86,248,458	$379,077,111
Continue MEGs from Above, As Needed						
TOTAL	$126,560,060	$135,287,656	$144,617,150	$154,589,988	$165,250,521	$726,305,376

With-Waiver Total Expenditures

	FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027	TOTAL
SUD Medicaid FFS Beneficiaries	$40,247,841	$43,023,356	$45,990,261	$49,161,757	$52,551,929	$230,975,144
SUD Medicaid Managed Care Beneficiaries	$20,257,332	$21,654,280	$23,147,557	$24,743,817	$26,450,134	$116,253,121
SUD Managed Care Adult Expansion Group	$66,054,887	$70,610,020	$75,479,332	$80,684,414	$86,248,458	$379,077,111
Continue MEGs from Above, As Needed						
TOTAL	$126,560,060	$135,287,656	$144,617,150	$154,589,988	$165,250,521	$726,305,376
Net Overspend	$0	$0	$0	$0	$0	**$0**

Supplemental Test #2: Non-IMD Services CNOM Limit
Without-Waiver Total Expenditures

	DEMONSTRATION YEARS (DY)					TOTAL
	FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027	
Non-IMD Services CNOM Limit MEG	$0	$0	$0	$0	$0	$0
TOTAL	$0	$0	$0	$0	$0	$0

With-Waiver Total Expenditures

	FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027	TOTAL
Non-IMD Services CNOM Limit MEG	$0	$0	$0	$0	$0	$0
TOTAL	$0	$0	$0	$0	$0	$0
Net Overspend	$0	$0	$0	$0	$0	**$0**

Main Budget Neutrality Test (i.e. NOT Hypothetical)
With-Waiver Total Expenditures

	DEMONSTRATION YEARS (DY)					TOTAL
	FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027	
Non-Hypothetical Services CNOM MEG	$0	$0	$0	$0	$0	$0
TOTAL	$0	$0	$0	$0	$0	**$0**

Add Trend Rates & PMPMs from Table Below to 'SUD IMD Supplemental Budget Neutrality Test(s)' STC

SUD MEG(s)	Trend Rate	FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027
SUD Medicaid FFS Beneficiaries	4.8%	$8,495	$8,902	$9,330	$9,778	$10,247
SUD Medicaid Managed Care Beneficiaries	4.8%	$5,582	$5,850	$6,131	$6,425	$6,733
SUD Managed Care Adult Expansion Group	4.8%	$7,302	$7,653	$8,020	$8,405	$8,808
Continue MEGs from Above, As Needed						
Non-IMD Services CNOM Limit MEG	0.0%	$0	$0	$0	$0	$0
Main Test: With Waiver "Coster(s)" (Amendments Only)						
Non-Hypothetical Services CNOM MEG	0.0%	$0	$0	$0	$0	$0

Appendix A

IMD Caseloads

Projected IMD Member Months/Caseloads		DEMONSTRATION YEARS (DY)				
	Trend Rate	FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027
SUD Medicaid FFS Beneficiaries	2.0%	4,738	4,833	4,929	5,028	5,129
SUD Medicaid Managed Care Beneficiaries	2.0%	3,629	3,702	3,776	3,851	3,928
SUD Managed Care Adult Expansion Group	2.0%	9,046	9,227	9,411	9,600	9,792
Non-IMD Services CNOM Limit MEG			0	0	0	0
Non-Hypothetical Services CNOM MEG			0	0	0	0