

Missouri 1115 SMI IMD Waiver: Budget Neutrality

April 26, 2022

Mercer Government Human Services Consulting (Mercer) was engaged by the State of Missouri (State) to develop budget neutrality (BN) projections for the State's Section 1115 Medicaid Demonstration Waiver Application for Institution for Mental Disease (IMD) services. The State initially contracted with Mercer in mid-2021 to develop BN projections for IMD adults with a serious mental illness (SMI). In early 2022, the State requested that Mercer also develop projections for children receiving services in Qualified Residential Treatment Programs (QRTPs) that meet the definition of an 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 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 SMI Waiver using the per capita method.

Overview

Through the 1115 IMD SMI waiver, the State is seeking authority to reimburse for acute inpatient stays in IMDs for Medicaid eligible individuals ages 21-64 years old with SMI and for individuals under age 21 in QRTPs that meet the definition of an IMD. This demonstration is part of the State's broader efforts to ensure access to a comprehensive continuum of behavioral health services. Additionally, this waiver will ensure comparable access to IMDs for Medicaid enrollees regardless of delivery system (e.g., managed care or fee-for-service [FFS]).

Mercer collected and analyzed historical data for adults with SMI who had IMD stays and for individuals residing in QRTP IMDs. 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 five Medicaid eligibility groups (MEGs):

- SMI Adults, Ages 21 to 64, FFS: reflects Medicaid eligible adults ages 21-64 years old with SMI who access IMDs via the FFS delivery system.
- SMI Adults, Ages 21 to 64, Managed Care (excluding Adult Expansion Group): reflects Medicaid eligible adults ages 21-64 years old with SMI who access IMDs via the managed care delivery system and are not part of the Adult Expansion Group. This population has been covered in managed care for several years.
- SMI Adults, Ages 21 to 64, Managed Care Adult Expansion Group: reflects Medicaid eligible adults ages 21-64 years old with SMI who access IMDs via the managed care delivery system and are part of the Adult Expansion Group. Medicaid coverage for this population began effective July 1, 2021.
- QRTP Children, Ages 0 to 20, FFS: reflects Medicaid eligible individuals in QRTP IMDs who access services via the FFS delivery system.
- QRTP Children, Ages 0 to 20, Managed Care: reflects Medicaid eligible individuals in QRTP IMDs who access services via the managed care delivery system.

Historical Base Data

Mercer obtained different historical data sources to inform the BN projections for the SMI and QRTP MEGs. For the SMI MEGs, current State IMDs that serve adults with SMI are not reimbursed by Medicaid or State funding; therefore, the State did not have any IMD data to share with Mercer. As a result, Mercer worked with the State and its stakeholders to request data directly from the IMD facilities serving the adult SMI population. In early 2021, Mercer obtained calendar year (CY) 2019 IMD member

and utilization data from the facilities for populations that aligned with the three SMI MEGs described above. Mercer priced the IMD utilization at the State's proxy facility per diem rates to develop 2019 IMD PMPM costs for each MEG.

For the QRTP MEGs, Mercer obtained historical residential claims data directly from the State in late 2021. In addition, the State provided Mercer with facility-specific IMD determinations, as well as results from their QRTP readiness analysis in early 2022. Mercer utilized CY 2020 IMD member, utilization, and cost data for the populations that aligned with the two QRTP MEGs described above.

In addition to the IMD base data costs, Mercer also considered costs for other non-IMD State Plan services incurred during the month of each member's IMD stay. For individuals in the FFS MEGs, this was accomplished by linking State Medicaid FFS data and the IMD member data and IMD stay dates. For the Managed Care MEGs (excluding Adult Expansion Group MEG), this was done by leveraging managed care capitation rates for the populations and considering any FFS costs for these individuals for services carved out of managed care. For the SMI Managed Care Adult Expansion Group MEG, Mercer leveraged the Adult Expansion Group 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 the SMI AEG 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 01 for IMDs that serve adults with SMI, 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. To project per capita costs for DY 01 for individuals in QRTP IMDs, Mercer applied an annual trend factor to the CY 2020 base year per capita costs described above. The data were projected forward 33 months from the midpoint of CY 2020 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 for adults was utilized for the adult SMI population, and the President's Budget trend of 4.9% per year for children was utilized for the QRTP population.

To inform the annual projected SMI caseload growth assumption, Mercer analyzed historical caseload trends evident in the data submitted by the IMD facilities. In addition, Mercer considered State and provider feedback related to the anticipated growth in participation under the IMD demonstration and the expected increase in the number of adult SMI IMD beds based on new facilities that are coming online or have plans to expand during the five year demonstration period. Based on this data, an annual caseload growth rate of 8.0% was assumed.

To inform the annual projected QRTP caseload growth assumption, Mercer analyzed historical residential caseload trends and discussed future QRTP enrollment expectations with the State. The State expects residential caseloads to continue to decline over time as a result of the State's ongoing

efforts to move individuals into alternative treatment settings that most appropriately meet their needs. As a result, Mercer assumed an annual caseload growth rate of -2.0%.

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 \$227,461,110. 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 SMI 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 appendices, 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 SMI 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, 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 Summary

Supplemental Test #1: IMD Services Cost Limit

Without-Waiver Total Expenditures

	DEMONSTRATION YEARS (DY)					TOTAL
	FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027	
SMI Adults, Ages 21 to 64, FFS	\$10,584,525	\$11,979,988	\$13,559,428	\$15,347,106	\$17,370,466	\$68,841,514
SMI Adults, Ages 21 to 64, Managed Care (excluding Adult Expansion Group)	\$133,186	\$150,744	\$170,618	\$193,112	\$218,572	\$866,233
SMI Adults, Ages 21 to 64, Managed Care Adult Expansion Group	\$6,751,401	\$7,641,504	\$8,648,954	\$9,789,230	\$11,079,843	\$43,910,933
QRTP Children, Ages 0 to 20, Managed Care	\$17,147,060	\$17,627,539	\$18,121,480	\$18,629,249	\$19,151,235	\$90,676,563
QRTP Children, Ages 0 to 20, FFS	\$4,380,703	\$4,503,450	\$4,629,637	\$4,759,360	\$4,892,718	\$23,165,868
TOTAL	\$38,996,875	\$41,903,225	\$45,130,117	\$48,718,057	\$52,712,835	\$227,461,110

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TOTAL	\$38,996,875	\$41,903,225	\$45,130,117	\$48,718,057	\$52,712,835	\$227,461,110

Net Overspend

\$0	\$0	\$0	\$0	\$0	\$0	\$0
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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

	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

Net Overspend

\$0	\$0	\$0	\$0	\$0	\$0	\$0
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Main Budget Neutrality Test (i.e. NOT Hypothetical)

Without-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
SMI Adults, Ages 21 to 64, FFS	4.8%	\$20,473	\$21,456	\$22,486	\$23,565	\$24,696
SMI Adults, Ages 21 to 64, Managed Care (excluding Adult Expansion Group)	4.8%	\$1,110	\$1,163	\$1,219	\$1,277	\$1,339
SMI Adults, Ages 21 to 64, Managed Care Adult Expansion Group	4.8%	\$5,631	\$5,901	\$6,184	\$6,481	\$6,792
QRTP Children, Ages 0 to 20, Managed Care	4.9%	\$3,078	\$3,229	\$3,387	\$3,553	\$3,727
QRTP Children, Ages 0 to 20, FFS	4.9%	\$11,543	\$12,109	\$12,702	\$13,324	\$13,977
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
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Appendix A

IMD Caseloads

Projected IMD Member Months/Caseloads

	Caseload Growth	DEMONSTRATION YEARS (DY)				
		FFY 2023	FFY 2024	FFY 2025	FFY 2026	FFY 2027
SMI Adults, Ages 21 to 64, FFS	8.0%	517	558	603	651	703
SMI Adults, Ages 21 to 64, Managed Care (excluding Adult Expansion Group)	8.0%	120	130	140	151	163
SMI Adults, Ages 21 to 64, Managed Care Adult Expansion Group	8.0%	1,199	1,295	1,399	1,510	1,631
QRTP Children, Ages 0 to 20, Managed Care	-2.0%	5,571	5,460	5,350	5,243	5,139
QRTP Children, Ages 0 to 20, FFS	-2.0%	380	372	364	357	350
Non-IMD Services CNOM Limit MEG			0	0	0	0
Non-Hypothetical Services CNOM MEG			0	0	0	0