

State of Rhode Island and Providence Plantations
Department of Administration
Office of Management and Budget

Fiscal Note for Proposed Administrative Rules (R.I.G.L. § 22-12-1.1)

Name of Administrative Rule:

FISCAL IMPACT					
Federal Expenditures		State Expenditures		City/Town Expenditures	
FY 2023	\$ 55,717	FY 2023	\$ 38,783	FY 2023	\$0.00
FY 2024	\$ 2,317,981	FY 2024	\$ 1,840,019	FY 2024	\$0.00
FY 2025	\$ 2,771,600	FY 2025	\$ 2,195,425	FY 2025	\$0.00

- **There is no state revenue associated with this initiative.**
- **There are no city/town expenditures associated with this initiative.**

Summary of Policy Change:

BHDDH currently licenses Mental Health Psychiatric Rehabilitative Residences (MHPRR) at multiple levels, including Basic MHPRR (B-MHPRR). Through permanent Regulations, BHDDH will establish a new category of BHO licensure known as Enhanced MHPRR (E-MHPRR) which will govern E-MHPRR operations across Rhode Island. E-MHPRRs will serve primarily as a step-down from inpatient psychiatric units and Eleanor Slater Hospital (ESH). These residences will provide a step-down to a less restrictive environment as required by the Americans with Disabilities Act (ADA) and the federal *Olmstead* decision. These residences may also serve as a step-up from Basic MHPRRs that cannot meet all of a resident's more intensive needs.

If it determined that the B-MHPRR is not sufficient to address the resident's behavioral health needs, currently, the only available alternative is to admit to a far more expensive placement (i.e., inpatient hospitalization). An E-MHPRR is likely to be the more appropriate in-between level of clinical care that has never been available until this proposed new license category and service-level was established.

The Executive Office of Health and Human Services (EOHHS) received a Transmittal and Notice of Approval of State Plan Material from the Centers for Medicare and Medicaid Services (CMS) on December 19, 2022 (amended January 17, 2023). The correspondence approved RI's request for a Medicaid State Plan Amendment (SPA) to establish E-MHPRRs for High Intensity Clients. In this correspondence, CMS also approved proposed services, staffing patterns, and increased per diem rates for the E-MHPRRs over the Basic MHPRR per diem rate of \$125.

The maximum number of individuals permitted per residence is nine and the total number of E-MHPRR beds budgeted through 2024 is 27.

The proposed permanent Regulations will establish criteria for eligibility, prioritization, services and required staffing for the E-MHPRRs. The cost estimates reflect the approved service requirements to be provided at the enhanced rate E-MHPRR rate approved by CMS, which is \$525 per day, per person.

The first E-MHPRR is anticipated to begin operating in June, 2023. This facility will have an 8-bed capacity; however, only 6 beds are expected to be occupied during this period. Therefore, the FY 2023 cost estimate reflects the cost of 6 beds for this period. The remaining 18 beds are expected to come online in FY 2024. Therefore, the FY 2024 and FY 2025 cost estimates are based on a maximum of 27 beds for a full fiscal year.

Summary of State Fiscal Impact:

Information based on EOHHS Caseload Estimates Testimony (April, 2023)

FY 2023

There are 6 beds budgeted for 1 residence to begin E-MHPRR level services for the remainder of FY 2023 at a rate of \$525 per day, factoring in a 4% vacancy rate of total cost.

Total of 180 bed days @ \$525 per day = \$94,500. Of this total, \$55,717 are federal funds and \$38,783 are general revenue.

FY 2024

There are a maximum of 27 beds budgeted for E-MHPRR in FY24, at a rate of \$525 per day per person, factoring in a 4% vacancy rate of total cost. It is anticipated that 2 residences could be online by September 1, 2023, and the third residence will be online by December 1, 2023, as presented in the E-MHPRR cost estimate.

Total estimate of 7,920 bed days @ \$525 per day = \$4,158,000. Of this total, \$2,317,981 are federal funds and \$1,840,019 are general revenue.

This total is derived from the expectation there will be a gradual increase in occupancy of beds over time until the maximum of 27 beds are occupied.

FY 2025

There are a maximum of 27 beds budgeted for E-MHPRR in FY 25, at a rate of \$525 per day per person, factoring in a 4% vacancy rate of total cost. Cost estimate is based on the assumption that 27 beds will be available for occupancy for the entire fiscal year.

Total estimate of 9461 bed days @ \$525 per day = \$4,967,025. Of this total, \$2,771,600 are federal funds and \$2,195,425 are general revenue.

Vacancy Rate is 4% of annual cost. The vacancy rate is the cost associated when some of the beds are not being utilized by a resident and remain vacant. The vacancy rate was determined by updating caseload efficiency estimates which were determined through a rate review previously conducted for MHPRRs. Factors considered in calculating the caseload efficiency included: number of residents, residents leaving the program per year, days to replace residents, days per year finding replacement resident(s), percent of months with an inpatient stay for residents, average length of inpatient stay, and days per year spent in hospital.

City or Town Impact:

None.