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# HMA

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HEALTH MANAGEMENT ASSOCIATES

## *1115 IMD Fiscal Analysis*

PREPARED FOR  
COLORADO HEALTH CARE POLICY AND FINANCE ADMINISTRATION

DATE  
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## Introduction/Background

Health Management Associates (HMA) is assisting the Colorado Department of Health Care Policy and Financing (HCPF) with exploring the potential fiscal impact of Medicaid coverage for stays in an Institution for Mental Disease (IMD) that exceed 15 days. Currently, once an individual exceeds 15 days of IMD utilization within a given calendar month, that experience is not covered by Medicaid, inclusive of the first 15 days. The result is a lack of funding for IMD providers for these stays which negatively impacts the system in several ways.

There are paths forward that HCPF is exploring that may result in funding for the IMD providers for stays that exceed 15 days. These include obtaining an IMD 1115 waiver, seeking legislative funding to cover this expense with State General Funds, or exploring other State funding streams. The purpose of this analysis is to estimate potential new system expenditures that may result in coverage of these types of stays.

## Sources of Information and Data

HMA worked with HCPF and the IMD providers to obtain general information and historical data that could be utilized as a basis for estimating a potential fiscal impact.

Internal HCPF data included historical experience from October 2019 through November 2022 specific to IMD utilization and cost. The historical information that was reviewed included:

- Number of unique members who have a Length of Stay (LOS) longer than 15 days per month.
- Number of unique stays by unique LOS by year.
- Number of stays longer than 15 days per year for each IMD provider.
- Average per diem reimbursement magnitude for each IMD provider.
- Percentage of total episodes of care/stays longer than 15 days broken down by month and year.
- Number of stays, days, and average LOS for stays exceeding 15 days by month and year.

In addition to the HCPF data described above, HMA and HCPF also met with the IMD provider groups in an open stakeholder group forum. During this forum, the discussion focused on the general landscape of today and hopes for how the landscape may look in the future. This included detailed input from the IMDs around current experience and barriers for individuals who exceed 15-day stays. Input from the IMD forum included:

- Concerns for a place to discharge an individual to a safe setting. Often times patients are in need of higher level of care and there is no bed for them at a State hospital.
- There is sometimes a general inability to track a patient's history. Cases occur where an individual will have a stay at one IMD facility, be discharged, and later in the month be readmitted to a different IMD facility. When the stays are combined, the 15-day limit is often exceeded for these scenarios.
- The process for court ordered medication is time consuming and delays stabilization of patients within 15 days.
- Homelessness and a lack of housing and stability is generally increasing.

The IMDs were additionally asked to provide their view on historical data in the form of a follow up information request. Responses have been received from 5 IMD locations. The information requested included experience for calendar year 2022 (CY22) including:

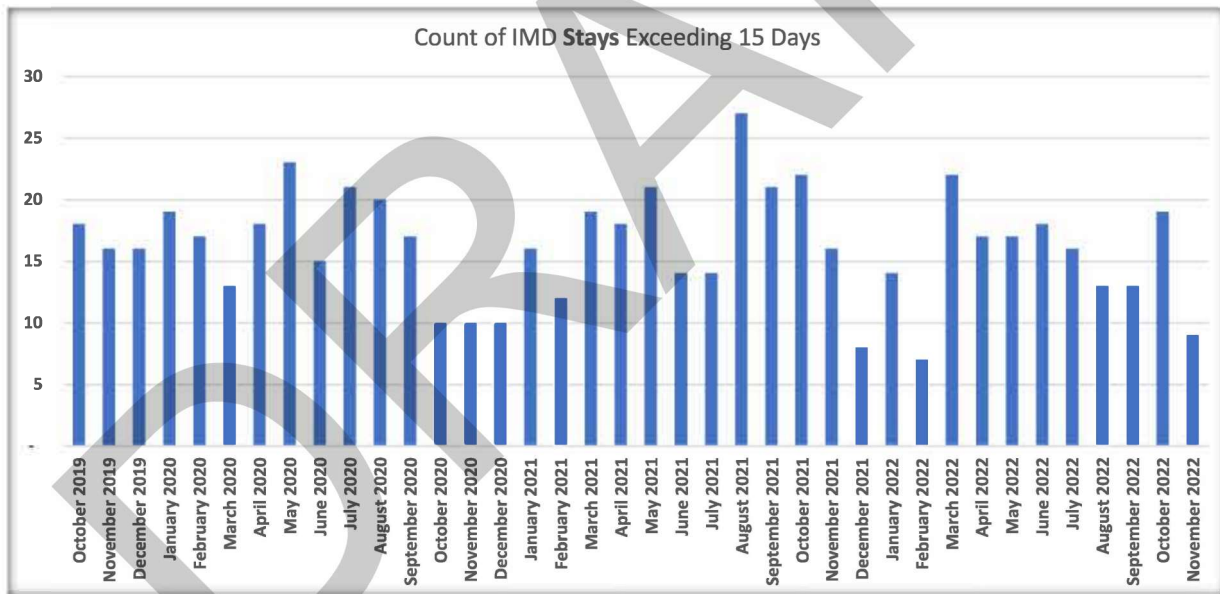
- Number of stays, number of days, and cost for non-covered stays exceeding 15 days.
- Monthly average number of patients awaiting beds at a State hospital.

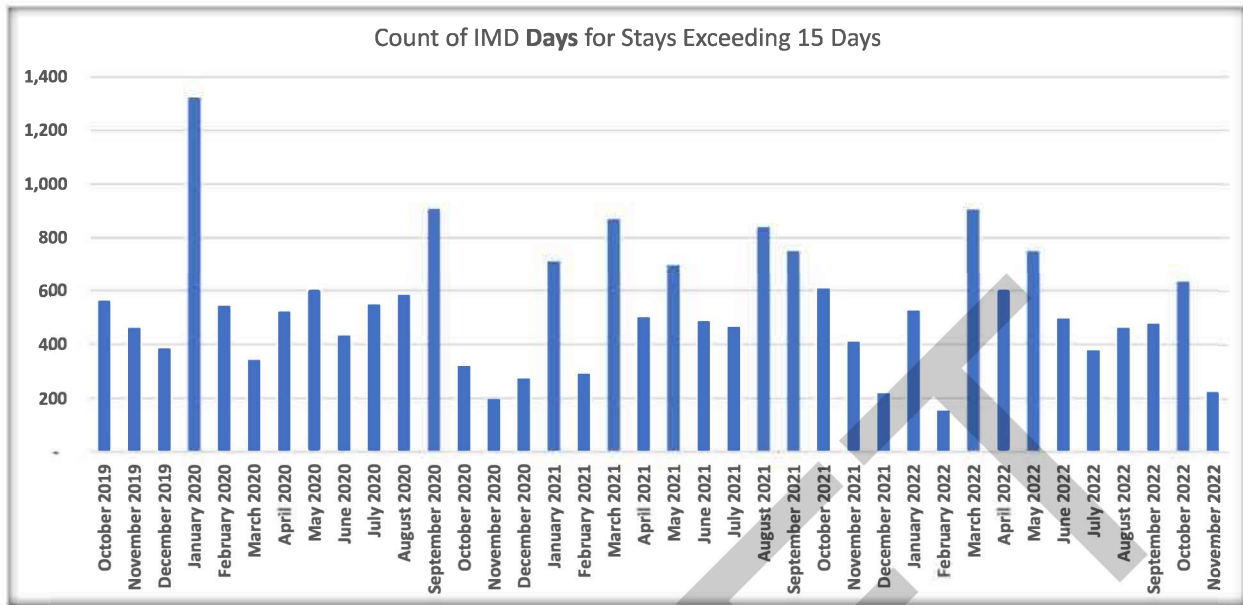
- Number of non-covered stays and days that were caused by utilization in multiple IMD facilities exceeding 15 days in total.
- Number of non-covered stays and days that were caused by court ordered medication delays.
- Number of stays impacted by homelessness and a safe discharge.
- Estimate for the number of additional beds if stays between 15-60 days became allowable.
- Estimate for the additional number of 15+ day stays and days per year if stays between 15-60 days became allowable.

## Fiscal Analysis: Methodology, Assumptions, and Estimate

The information and data above was aggregated and summarized to utilize for a projection of expense that would be new to the system if stays in excess of 15 days became Medicaid covered services, most likely via an 1115 waiver. The estimate was developed by utilizing components of both HCPF data and IMD information described above. To the extent true historical experience varies from these data sources, the estimate described below would change.

The starting point for the estimate was to review the historical number of stays and number of days for IMD visits that exceed 15 days by month. The charts below show these historical data points as provided by HCPF.





Calendar Year 2022 (CY22) was chosen as the time period for which to base the analysis. Note, given data was only available through November 2022, the January through November 2022 data was grossed up to estimate CY22 in full. This yielded a CY22 starting point of 180 stays (15 per month) and 6,113 days (509 days per month) for IMD stays that exceed 15 days. This data implies that the average LOS for stays exceeding 15 days is 34 days. For this analysis, a max LOS of 30 days was used for all episodes that exceeded 15 days to reflect potential future policy parameters.

To derive a baseline expenditure for these stays, an IMD specific provider per-diem for CY22 was multiplied by the days discussed above. Five of the seven IMD providers shared their per-diem reimbursement rates. For the other two providers who did not provide information, HCPF data was used to estimate the provider specific per-diem. The per-diem amounts for the seven providers ranged from \$512 - \$1,368 per day and a utilization-based weighted average of \$907.52. The provider specific IMD per-diem was multiplied by the provider specific utilization and LOS assumptions to derive baseline expenditures for these stays.

The table below summarizes these estimates. Estimates are shown for:

- Coverage assuming each stay is 15 days. Reimbursement applies to the first 15 days only under this assumption. This produces an expense of **\$2.5M**.
- Coverage assuming 30 day maximum length of stay. Reimbursement applies to the first 15 days plus an additional 15 days for a maximum of 30 days. This produces an expense of **\$4.9M**.

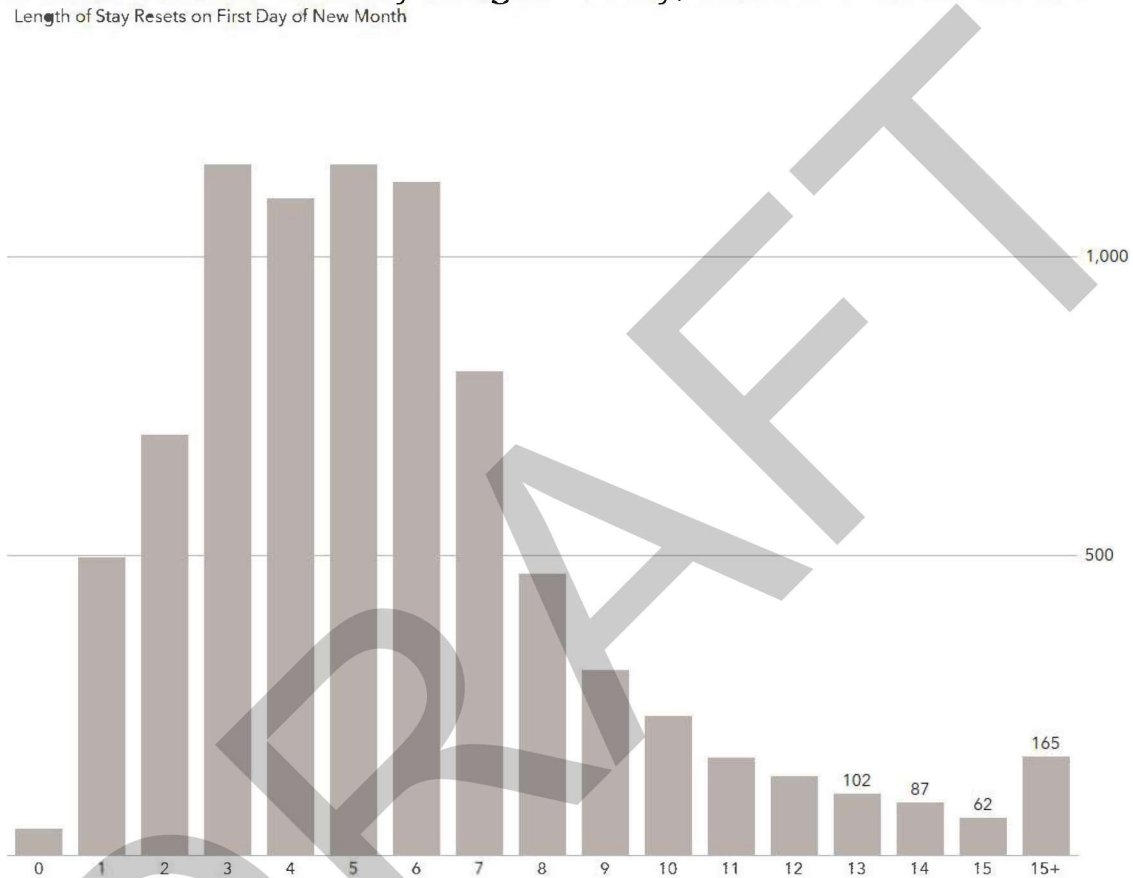
Table 1

Historical Baseline Experience	
CY22 Stays Exceeding 15 Days	180 (a)
CY22 Days for Stays Exceeding 15 Days (15-day stay max)	2,700 (b) = (a)*15
CY22 Days for Stays Exceeding 15 Days (30-day stay assumption)	5,400 (c) = (a)*30
CY22 Average LOS for Stays Exceeding 15 Days	30 (d) = (c)/(a)
CY22 Average Per Diem	\$ 907,52 (e)
CY22 Expense for Stays Exceeding 15 Days (15-day stay max)	\$ 2,450,304 (f) = (b)*(e)
CY22 Expense for Stays Exceeding 15 Days (30-day stay assumption)	\$ 4,900,608 (g) = (c)*(e)

As a result of these types of stays being newly reimbursable services most likely via an 1115 waiver, the IMD provider network may in turn show an increase in this type of utilization. The starting point for an estimated increase was a review of the historical number of stays for IMD visits that were exactly 14 or 15 days in a given month. The chart below shows the number of visits by LOS for Jan '22 through Nov '22 as provided by HCPF.

## Distribution of Visits by Length of Stay, Jan. 2022 to Nov. 2022

Length of Stay Resets on First Day of New Month



The increase to the historical utilization that exceeds 15 days assumes that the 14 and 15 day stays shown above will transition to visits that exceed 15 days. The reasoning for this is the concept that the 14 and 15 day visits may have historically been discharged early in order to maintain IMD eligibility for reimbursement. Under the new policy, the need to discharge prior to the 16<sup>th</sup> day would no longer be a concern to providers. These visits were assumed to transition to 30 day stays consistent with the stays in excess of 15 days discussed above. The reimbursement for these stays was also assumed to remain consistent at the \$907.52 per day already discussed. Statewide, this resulted in an annual addition of 163 stays (14 per month) and 4,890 days (408 per month) for stays that are anticipated to exceed 15 days.

Unlike the stays already in excess of 15 days, the 14 and 15 day stays are currently being reimbursed as allowable Medicaid expenditures. The expense for these stays that already exists in the system at an assumed \$907.52 per day cost is \$2.1M. This existing expense is removed from the total projected expense derived resulting from the transition to the longer stays discussed above.

Table 2 below shows the increased utilization and expense resulting from transitioning 14 and 15 day stays to 30 day stays under both LOS coverage assumptions discussed above:

- Coverage assuming each stay is 15 days. This produces an additional expense of **\$0.1M**.
- Coverage assuming 30 day maximum length of stay. This produces an additional expense of **\$2.3M**.

Table 2

**Projected Increase to Baseline Experience**

CY22 Stays with LOS = 14 or 15 Assumed to Transition	163	(h)
Annual Days (Assuming 15-day stay max)	2,445	(i) = (h)*15
Annual Days (30-day stay assumption)	4,890	(j) = (h)*30
Annual Total Expense (Assuming 15-day stay max)	\$ 2,218,886	(k) = (i)*\$907.52
Annual Total Expense (30-day stay assumption)	\$ 4,437,773	(l) = (j)*\$907.52
Annual Current Expense for Stays with LOS = 14 or 15	\$ 2,132,498	(m) = (h) * \$907.52 * ~14.416 ALOS

Projected New Expense to Medicaid (15-day stay max)	\$ 86,389	(n) = (k) - (m)
Projected New Expense to Medicaid (30-day stay assumption)	\$ 2,305,275	(o) = (l) - (m)

Combining the historical baseline experience and the projected increase to the baseline experience results in an overall expense projection of \$7.2M annual expense for coverage of IMD stays exceeding 15 days. This figure reduces to \$2.5M under the assumption that only the first 15 days of these stays are reimbursed. Table 3 below builds off Tables 1 and 2 and shows the full build of this projection.

Table 3

**Projected Annual Total Program Expense for Coverage of IMD Stays Exceeding 15 Days**

Historical Baseline Experience		Projected Increase to Baseline Experience	
CY22 Stays Exceeding 15 Days	180 (a)	CY22 Stays with LOS = 14 or 15 Assumed to Transition	163 (h)
CY22 Days for Stays Exceeding 15 Days (15-day stay max)	2,700 (b) = (a)*15	Annual Days (Assuming 15-day stay max)	2,445 (i) = (h)*15
CY22 Days for Stays Exceeding 15 Days (30-day stay assumption)	5,400 (c) = (a)*30	Annual Days (30-day stay assumption)	4,890 (j) = (h)*30
CY22 Average LOS for Stays Exceeding 15 Days	30 (d) = (c)/(a)	Annual Total Expense (Assuming 15-day stay max)	\$ 2,218,886 (k) = (i)*\$907.52
CY22 Average Per Diem	\$ 907.52 (e)	Annual Total Expense (30-day stay assumption)	\$ 4,437,773 (l) = (j)*\$907.52
		Annual Current Expense for Stays with LOS = 14 or 15	\$ 2,132,498 (m) = (h) * \$907.52 * ~14.416 ALOS
CY22 Expense for Stays Exceeding 15 Days (15-day stay max)	\$ 2,450,304 (f) = (b)*\$907.52	Projected New Expense to Medicaid (15-day stay max)	\$ 86,389 (n) = (k) - (m)
CY22 Expense for Stays Exceeding 15 Days (30-day stay assumption)	\$ 4,900,608 (g) = (c)*\$907.52	Projected New Expense to Medicaid (30-day stay assumption)	\$ 2,305,275 (o) = (l) - (m)
		<b>Projected Annual Total New Program Expense for Coverage of IMD Stays Exceeding 15 Days</b>	
Projected Stays Exceeding 15 Days	343 (a) + (h)	Projected Stays Exceeding 15 Days	343 (a) + (h)
CY22 Days for Stays Exceeding 15 Days (15-day stay max)	5,145 (b) + (i)	CY22 Days for Stays Exceeding 15 Days (15-day stay max)	5,145 (b) + (i)
CY22 Days for Stays Exceeding 15 Days (30-day stay assumption)	10,290 (c) + (j)	CY22 Days for Stays Exceeding 15 Days (30-day stay assumption)	10,290 (c) + (j)
Projected Average LOS for Stays Exceeding 15 Days	30 (d)	Projected Average LOS for Stays Exceeding 15 Days	30 (d)
Projected Average Per Diem	\$ 907.52 (e)	Projected Average Per Diem	\$ 907.52 (e)
Projected New Expense to Medicaid (15-day stay max)	\$ 2,536,693 (f) + (n)	Projected New Expense to Medicaid (15-day stay max)	\$ 2,536,693 (f) + (n)
Projected New Expense to Medicaid (30-day stay assumption)	\$ 7,205,883 (g) + (o)	Projected New Expense to Medicaid (30-day stay assumption)	\$ 7,205,883 (g) + (o)

## Estimated Fiscal Impact Summary & Caveats

As discussed above, the estimated annual expense for coverage of IMD stays exceeding 15 days is projected to be \$7.2M. This figure reduces to \$2.5M under the assumption that only the first 15 days of these stays are reimbursed. HCPF has the ability to determine its preferred policy under an 1115 waiver or other approach for reimbursement of these stays including the length of stay to cover.

This estimate represents total expense and may be partially funded with Federal Financial Participation under an 1115 waiver environment. This analysis does not include measurable cost savings that can be identified as policy decisions and scope are refined, such as reduction in repeat episodes of care within 90 days due to effective treatment completion within extended reimbursable timeframes.

Note, this estimate represents expenditures for medical services only. Any additional HCPF administrative expenditures may be appropriate to consider as additional cost over and above these figures.

Several assumptions went into this point estimate. There is a range of expenditures that would be reasonably defensible for this estimate. This analysis utilizes one set of assumptions within that range. To the extent true historical experience varies from the data sources utilized in this analysis, the estimate would change.

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