

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 815 (First Edition)

SHORT TITLE: Detox Facilities Not Subject to CON

SPONSOR(S): Representatives Alexander and Insko

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
Federal Medicaid	\$236,477	\$236,477	\$236,477	\$236,477	\$236,477
EXPENDITURES					
State Medicaid Share	\$120,295	\$120,295	\$120,295	\$120,295	\$120,295
Local					
County Medicaid Share	\$21,228	\$21,228	\$21,228	\$21,228	\$21,228
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Health and Human Services					
<i>The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services has stated that it will cover the fiscal impact to the Medicaid budget in the Division of Medical Assistance through cost savings associated with the downsizing of the state psychiatric hospitals. The necessary amount would be transferred from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services budget to the Division of Medical Assistance budget.</i>					
EFFECTIVE DATE: When the bill becomes law.					

BILL SUMMARY: House Bill 815 amends G.S. 131E-176 to exclude social-setting detoxification and medical detoxification facilities from certificate of need requirements.

By removing these two types of facilities, the development of detoxification facilities that are independent of general and psychiatric hospitals would no longer require certificates of need from the Department of Health and Human Services (DHHS). As a result, there would be no state regulation of the number of freestanding detoxification facilities in the State, but DHHS would continue to license and regulate the operation of such facilities.

Residential treatment facilities for chemical dependent persons would still be subject to certificates of need.

ASSUMPTIONS AND METHODOLOGY: In developing the fiscal impact of the proposed bill, three general issues were considered: (1) the anticipated increase in the Medicaid program; (2) the net fiscal impact to the State's Alcohol and Drug Abuse Treatment Centers (ADATC's), and; (3) the net fiscal impact to Division of Facility Services.

Medicaid

Non-hospital medical detoxification is a reimbursable service for persons eligible for Medicaid. The removal of the certificate of need requirement is expected to increase the availability of detoxification beds throughout the State. According to DHHS, these additional beds coupled with the existing need for services should result in increased Medicaid expenditures.

In calculating the impact to the Medicaid budget, DHHS developed the following assumptions:

- The number of individuals who have unmet detoxification needs is 3,600 per year.
- 33.3% of these individuals would use social setting detoxification services.
- 66.7% of these individuals would use non-hospital medical detoxification services.
- 10% of individuals needing non-hospital detoxification services are eligible for Medicaid.
- The average cost per day for non-hospital medical detoxification services is \$315.
- The cost per day of detoxification services will not inflate over the next five years.
- The average length of stay is 5 days.
- The increase in new detoxification beds will equal the unmet need for services.

Using these assumptions, DHHS calculated the following:

Projected Fiscal Impact (DMA Budget):	Non-Hospital Medical Detox
Projected Number of Medicaid Eligible Clients to be Served per Year (10% of 2,401 individuals)	240
Cost per Day	\$315
Average Number of Days	5
Projected Increased Medicaid Expenditure per Year	\$378,000
Federal Share @ 62.56%	\$236,477
State Share @ 85% of Non-federal	\$120,295
County Share @ 15% of Non-federal	\$ 21,228

Alcohol and Drug Abuse Treatment Centers (ADATC's)

DHHS is currently developing detoxification service capacity in the State's ADATC's. Without certificate of need requirements for freestanding detoxification activities, the increased capacity for detoxification services across the State could reduce the demand for detoxification beds in the ADATC's.

DHHS anticipates that the ADATC detoxification beds will operate at capacity, serving roughly 3,600 persons per year. *These 3,600 persons are not included in the assumption mentioned in the previous section regarding persons with unmet detoxification needs.* According to DHHS,

the 3,600 persons to be served in the ADATC's will be served within existing budget for DHHS. All other impacts addressed in this fiscal note assume that there is an unmet need for detoxification services over and above services provided at the ADATC's. This new detoxification capacity at the ADACT's is not expected to impact the assumed demand for new community detoxification services. **As a result, no net fiscal impact is expected in the DHHS regarding the statewide increase in detoxification beds.**

Division of Facility Services (DFS)

DFS is current responsible for issuing certificates of need to freestanding detoxification facilities. By excluding freestanding detoxification facilities from certificates of need requirements, DFS is expecting a small cost savings associated with reduced workload in issuing certificates of need. This cost savings is balanced by increased costs associated with licensing and regulating an increased number of freestanding detoxification facilities. According to DHHS, the savings and costs should balance out in the end. **As a result, no net fiscal impact is expected to DFS.**

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