SUMMARY
Federal health care reform will have a significant impact on the programs operated by the Department of Human Services (DHS) as well as the various populations with which the department is charged. The Department of Human Services provides direct and contractual social services to children, families, and adults including: 1) persons with disabilities, 2) children and families in crisis, 3) youth in the juvenile court system, 4) individuals with mental health or substance abuse issues, 5) vulnerable adults, and the aged. Federal health care reform will impact the department and these populations in four general ways:

1. Increased medical coverage for DHS populations.
2. Changed financing of services.
3. Increased administrative and support costs - both direct and indirect.
4. Increased training for those who serve DHS populations.

DISCUSSION AND ANALYSIS

Background
The Patient Protection and Affordable Care Act (PPACA), often referred to as federal health care reform, is legislation that will have a significant impact on the programs operated by the Department of Human Services (DHS) as well as the various populations with which DHS is charged.

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Increased coverage through expanded Medicaid and other provisions

Many of the services provided through DHS are classified as medical assistance - thereby potentially qualifying for Medicaid financing. Effective January 1, 2014 Utah will no longer be able to have an asset test for Medicaid. On that date everyone under age 65 with income up to 133 percent of the Federal Poverty Level, irrespective of any previous Medicaid qualifying category, will be eligible for Medicaid. This change will allow many more among the DHS populations to qualify for Medicaid coverage under federal health care reform.

Other provisions of the new PPACA law will also affect coverage. Some of these provisions include:

- Extension of dependent coverage to age 26
- Prohibition on pre-existing condition exclusions for children
- Temporary reinsurance program for employers to provide health insurance coverage to retirees over age 55 who are not eligible for Medicare
- Establishment of a national voluntary insurance program for purchasing community living assistance services and supports
- Mandatory Medicaid coverage up to age 26 for children who age out of foster care
• Creation of state-based health exchanges with premium and cost sharing credits for individuals/families between 133-400 percent of the Federal Poverty Level

**Changed financing of services**
With the requirement that most U.S. citizens and legal residents have health insurance accompanied by the increase in Medicaid coverage, the creation of state-based health exchanges, and new requirements regarding employer-based insurance plans, it will likely take some time to sort out who will ultimately be paying for what. The federal government will pay 100 percent of the costs of the newly eligible Medicaid population from January 1, 2014 through December 31, 2016. Beginning January 1, 2017, the state will pay 5 percent. This payment increases to 6 percent in 2018, 7 percent in 2019, and 10 percent in 2020 and beyond.

**Increased direct and indirect administrative and support costs**
The new PPACA law includes language regarding oversight and reporting requirements; fraud, waste, and abuse provisions; streamlining of procedures for various program enrollments; a nationwide program for background checks on direct patient access employees of long-term care facilities and providers; and provisions regarding coordination of electronic health information. Estimates of these costs are as of yet unquantifiable for the Department of Human Services. There are also indirect costs associated with implementing the new provisions. For example, the Office of Recovery Services (ORS) currently provides 3rd party collections for the Medicaid program. As the Medicaid program expands, it will impact ORS.

**Increased training for those who serve DHS populations**
A number of provisions in the new law address workforce development and direct care worker training. Several highlighted provisions include:

- A provision for the awarding of grants to provide new training opportunities for direct care workers employed in long term care settings such as nursing homes, assisted living, skilled nursing facilities, intermediate care facilities for the mentally retarded, home and community based settings, and other settings the Secretary of Health and Human Services determines to be appropriate.

- Cultural competency, prevention, and public health and individuals with disabilities training.

- Support the development of interdisciplinary mental and behavioral health training programs.

- Mental and behavioral health education and training grants.

**Provisions affecting the various agencies within the Department of Human Services**
Following are highlighted provisions, which affect the various agencies within DHS as well as the various populations with which the department is charged.

1. **The Division of Services for People with Disabilities (DSPD)**
There are a number of provisions in PPACA that will have an impact on DSPD and the populations it is charged with serving including:

- Elimination of the denial of coverage for people with pre-existing conditions,

- Allowing children to remain on their parents’ insurance until age 26,

- Eliminating lifetime capitations on coverage,

- Inclusion of behavioral health treatments as part of the "essential health benefits package" in certain health plans, and

- Elimination of asset tests for the purposes of determining Medicaid waiver eligibility which will streamline financial eligibility determinations.

Additionally, there are a number of optional financial incentives to states, if a state so chooses, to encourage more home and community based services. They include the following:
• New state plan options under 1915 (i) that allow states greater flexibility in targeting specific benefit packages to specific populations,
• A new state rebalancing incentive program for expanding home and community based services as an alternative to nursing home care where a state would have to submit a plan making certain structural changes and in exchange the state would get a temporary 2 percent or 5 percent increase in the Medicaid participation rate from 2011 – 2015,
• An option called the Community First Choice Option to allow a state to amend its state plan to offer attendant care services to people in their homes where these services would then be reimbursed at the Medicaid participation rate plus 6 percent, and
• $450,000,000 in additional grant money available nationally under the Money Follows the Person program.

Most of the private providers in DSPD’s system do not offer health insurance to all employees. Beginning in 2014, providers with more than 50 full-time equivalent employees may have to pay a penalty, depending upon circumstances. This may increase overall costs to providers and could increase the pressure to increase rates. It may also make hiring and retaining quality employees more financially difficult.

2. The Division of Child and Family Services
Federal health care reform will impact the division and the populations it serves by increasing Medicaid eligibility and by increasing federal financial participation for health care costs of DCFS clients. There will likely also be additional workload and training requirements for DCFS staff.

3. The Division of Substance Abuse and Mental Health (DSAMH)
The Patient Protection and Affordable Care Act will impact substance abuse and mental health services by:

• Expanding Medicaid eligibility
• Providing subsidies for employer-based health insurance coverage
• Extending parity requirements to all individual and group health insurance plans, and
• Including mental health and substance use disorders in new chronic disease prevention and wellness initiatives.

PPACA will increase Medicaid eligible enrollees, greatly increase access to mental health and substance abuse services, and create the need to expand private sector involvement in service delivery.

A recent publication from the Substance Abuse and Mental Health Services Administration, or SAMHSA, titled Medicaid Spending for Behavioral Health Treatment Services, estimates that expenditures in Medicaid will increase by nearly 50 percent post-health reform and 32 percent of this increase will be for individuals with behavioral health disorders.

According to the Utah Department of Health, 110,000 additional Utahans will be enrolled in the Medicaid program in 2014. DSAMH estimates there will be 56,320 more individuals who may seek access to public mental health services or an increase of approximately 129% from the numbers served in 2010. Currently about 50 percent of the funding for the public mental health services is financed by Medicaid; with healthcare reform that percentage could increase to over 90 percent Medicaid funding.

Expansion of Medicaid eligibility and parity for substance use disorders will have an even greater impact on the substance abuse delivery system. DSAMH estimates there will be 26,470 more...
individuals who may seek access to public substance abuse services or an increase of more than 157 percent from the numbers served in 2010. Currently about 20 percent of the funding for substance abuse services is Medicaid; with healthcare reform that percentage could increase to over 91 percent Medicaid funding.

PPACA will bring an increased emphasis on integrated care, the co-location of physical and behavioral health services, the emergence of “health-homes”, and Accountable Care Organizations. Infrastructure needs, service delivery models, and strategic partnerships will all likely need to change in order to deliver cost effective, community based outcome based services.

Staff development and training in new models of service delivery, technology, and fiscal accountability will be required for the entire system.

The PPACA requires a gradual decrease in the disproportionate share payments to hospitals, including the Utah State Hospital. DSAMH estimates that the Utah State Hospital will lose $1,424,265 between 2014 and 2020 as a result of this decrease.

Infrastructure/Information Technology

Individuals with behavioral health disorders will make up a large portion of the Medicaid expansion and have high health care needs and costs. For example, individuals with mental illnesses die, on average, twenty five years younger than the average population from preventable illnesses like heart disease, diabetes, and stroke. Improving the quality of care for individuals with mental illness and substance use disorders, one of the primary objectives for Health Information Exchanges (HIEs) relies heavily on the ability to integrate mental health and substance abuse treatment with primary care and other health care providers.

$42 million dollars in federal grant funding has been allocated to the Utah Department of Health (UDOH) and its Designated Entities to implement a Health Information Exchange (HIE). No federal grant funding has been allocated to behavioral health. DSAMH believes inclusion of the behavioral health system in Utah’s HIE funding is essential for an integrated physical and behavioral healthcare system.

The Utah State Hospital and community behavioral health care providers in Utah are currently fully operational on Electronic Health Records (EHRs). DSAMH is concerned that costly EHR modifications or full system replacements will be required for behavioral health providers to comply with and participate in HIE.

HIE Certification for EHRs is costly. The application for certification for a behavioral health EHR is $37,000 with an annual renewal fee of $9,000. Costs for system modifications will vary greatly depending on the existing systems Integrated Development Environment (IDE) and design.

4. The Division of Juvenile Justice Services (DJJS)

DJJS serves adjudicated and pre-adjudicated youth in the juvenile justice system. These youth range from 10 to 21 years of age. The elimination of asset limits and changes to income and age provisions will increase the number of youth eligible for federal participation. The provision to identify clients who are newly eligible for Medicaid will also likely impact staff workloads. Training provisions impacts are not known at this time.

5. The Division of Aging and Adult Services (DAAS)
As yet, the new legislation does not require action on the part of the DAAS nor Utah’s Area Agencies on Aging (AAAs). The services and benefits provided to seniors under the act are currently conducted without state agency involvement. However, the division anticipates its involvement could change in the future as new provisions are put into place and the Administration on Aging plays a larger role under the act. Additionally, it is anticipated that additional information requests from seniors will be made to the division and AAAs as new elements of the act are implemented. This could increase administrative costs for these agencies.

6. **The Office of Recovery Services (ORS)**
ORS will be impacted by the federal reform because as Medicaid caseloads increase, workload for Medical Collections staff increases. Additional guidance is needed from the federal Office of Child Support Enforcement and CMS before impacts can be fully assessed.

7. **The Executive Director Operations**
The Office of Fiscal Operations, Bureau of Finance, anticipates additional indirect administrative and support costs due to new PPACA oversight and reporting requirements. In addition, due to the increased awareness of Medicaid fraud, abuse, and waste in the provider community, there is likely to be an increase in referrals.

The Office of Public Guardian (OPG) provides guardianship and conservatorship services to court ordered vulnerable, incapacitated adults. Increased medical coverage would be a benefit for OPG clients because most are indigent or at poverty level and have not had health insurance in the past. It could potentially decrease the guardian’s direct client time and increase administrative work load.

**Legislative Action**
This issue brief is informational only. There are no specific recommendations associated with it at this time.