

# Fiscal Note

**BILL #** HB 2491

**TITLE:** ALTCS eligibility; psychiatric conditions

**SPONSOR:** Hernandez C

**STATUS:** As Introduced

**PREPARED BY:** Chandler Coiner

## Description

This bill would add psychiatric conditions among the medical conditions that could potentially qualify an individual for the Arizona Long Term Care System (ALTCS) within the Arizona Health Care Cost Containment System (AHCCCS).

## Estimated Impact

We estimate that the bill would increase AHCCCS General Fund costs for the ALTCS Elderly and Physically Disabled (EPD) program by millions or tens of millions of dollars due an increase in the number of qualifying individuals. However, without additional information from the agency, any estimate of the exact impact would be highly speculative.

AHCCCS has not yet responded to our request for its estimate of the fiscal impact. The General Fund covers 50% of the state's share of ALTCS-EPD program costs, subject to adjustments specified in statute.

## Analysis

The ALTCS program offers coverage of institutional services and home and community-based services (HCBS) for individuals who meet certain financial and medical criteria. As part of the medical criteria, the individual must have a non-psychiatric medical condition (or developmental disability) that necessitates the level of care of a nursing facility or intermediate care facility. This bill would remove the exclusion on psychiatric conditions for the purposes of qualifying for ALTCS. Some examples of psychiatric conditions include: major depression, schizophrenia, bipolar disorder, and post-traumatic stress disorder (PTSD).

We believe that there are several potential types of individuals with psychiatric conditions that would now qualify for ALTCS due to this bill, including:

- AHCCCS acute care members: In FY 2024, there were approximately 48,100 members with a serious mental illness (SMI) in the AHCCCS acute care program, which is a Medicaid program. To the extent that these members meet the financial and medical criteria for ALTCS and apply for the program, we estimate this would increase AHCCCS costs on net. This is primarily because the average SMI member in the acute care program currently costs approximately \$2,500 per month while the average ALTCS-EPD member costs approximately \$5,600 per month.
- AHCCCS non-Medicaid behavioral health recipients: In FY 2024, there were approximately 11,300 individuals with an SMI that received state only (no federal reimbursement from Medicaid) behavioral health services from AHCCCS. These individuals have incomes that exceed the limits for the AHCCCS acute care program. However, their incomes do not necessarily exceed the limits for ALTCS given that the ALTCS financial criteria is assessed differently than the acute care program. To the extent that these members meet the financial and medical criteria for ALTCS and apply for the program, this would increase AHCCCS costs.
- Other: There may be additional individuals outside the AHCCCS system with psychiatric conditions that would also apply and receive ALTCS coverage under this bill.



While we believe that only a portion of the individuals referenced above would apply for and receive ALTCS coverage, we also believe that the caseload increase would not necessarily be limited to individuals who have previously applied for and been denied ALTCS solely on the basis of their medical condition being psychiatric-related.

Advocates of the bill have estimated that removing the exclusion on psychiatric conditions would increase ALTCS caseloads by 300. We understand this estimate was primarily derived in the following way: by 1) observing that approximately 50 individuals with an SMI as their major diagnosis were denied solely on the basis of their medical condition being psychiatric-related every year, and 2) assuming this population has accumulated over several years to 250-300 individuals. If ALTCS enrollment increased by 300, we estimate the annual impact to the General Fund would be \$4.5 million.

We believe the 300 figure represents the lower end of the potential caseload impact as it may not be accounting for all potential types of newly qualifying individuals discussed above.

According to a study from the National Institutes of Health (NIH), between 10% and 25% of nursing home residents have an SMI. The ALTCS-EPD program currently serves approximately 26,400 clients. This suggests that between 2,640 and 6,600 individuals with an SMI have nursing facility level needs and would qualify for ALTCS under this bill. However, a significant portion of these individuals likely already receive ALTCS coverage because they have an accompanying non-psychiatric major diagnosis. According to the same NIH study, of the nursing home residents with either schizophrenia or bipolar disorder, approximately 67% also have a cardiovascular disease, 33% have diabetes, and 27% have a neurological disease. The presence of any of these diseases could potentially qualify an individual for ALTCS, even if the individual has a psychiatric condition.

While the bill could also result in persons with SMI qualifying for ALTCS who are not currently residing in nursing homes, we think that nursing home residents would be most likely to qualify given that ALTCS eligibility is limited to individuals at risk of immediate institutionalization.

Considering the above factors, without additional data from the agency, we are unable to estimate the precise caseload increase. Based on its testimony at the February 10, 2025 House Health & Human Services Committee meeting, AHCCCS is currently examining its claims data to estimate the caseload and fiscal impact of the bill.

To illustrate the potential impact, we estimate that for every additional 5% growth in ALTCS-EPD caseloads (1,320 individuals), this increases AHCCCS General Fund costs by \$18.4 million annually (\$90.8 million Total Funds). This is before considering potential offsetting savings due to some members shifting coverage from the AHCCCS acute care program.

#### **Local Government Impact**

We estimate the bill would result in costs to the counties due to the increased eligibility for ALTCS-EPD as described above. County governments cover 50% of the state's share of ALTCS-EPD costs, subject to adjustments specified in statute.

2/18/25