BEHAVIORAL HEALTH SYSTEM FOR FUTURE GENERATIONS RECOMMENDATION #6: ENHANCE THE TARGETED CASE MANAGEMENT PROGRAM

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference	FY 2030 Difference	FY 2031 Difference
Expenditures:						
General Fund						
State Special Revenue	$355,273	$1,105,273	$750,000	$792,828	$804,721	$816,791
Federal Special Revenue	$125,000	$125,000		$2,038,701	$2,069,281	$2,100,321
Other						
Revenue:						
General Fund						
State Special Revenue						
Federal Special Revenue	$125,000	$125,000	$0	$2,038,701	$2,069,281	$2,100,321
Other						
Net Impact - General Fund Balance:	$0	$0	$0	$0	$0	$0

Description of fiscal impact: (In a few short sentences, describe.)

This recommendation will evaluate the current reimbursement model, expand the program to address unmet need, and develop a value-based payment (VBP) pilot program for providers of targeted case management (TCM) services. The VBP pilot program will link financial incentives to performance measured against specific cost and quality metrics — reimbursing providers based on the quality of care they deliver. There will be costs associated with evaluating the existing reimbursement model, VBP incentive payments, start-up costs for program expansion, as well as an expected increase in the number of people receiving services.

FISCAL ANALYSIS

Assumptions:

1. The department will contract with a vendor to evaluate the existing reimbursement model and construct a new VBP pilot program that accounts for beneficiary acuity level and evaluate other changes within the TCM Program. The department assumes the cost of this work will be $250,000 each year in FY 2026 and FY 2027. These costs are Medicaid Administrative services that receive Federal Medical Assistance Percentage (FMAP) of 50% state funds and 50% federal funds.

2. The department also includes costs for funding provider incentives as part of the VBP pilot program. An example of a value-based program may include 30-day BH follow-up, including incentives for TCM providers who consistently achieve high rates of patient contact within 30 days of discharge from an inpatient behavioral health facility. Sample metrics may include patient engagement, reduced BH-related readmission rates, and care coordination effectiveness. The department assumes these costs will be $1,500,000 over FY 2027 and FY 2028.

3. The department assumes start-up grants for new TCM providers totaling $460,545 for a three-month period, which will be spent over FY 2026 and FY 2027 to support additional staffing, training, and building their caseloads for program expansion. The department estimates this funding will support up to 20 new TCM teams. This projection is estimated to fund three months of staffing for the following TCM teams: youth ($195,567), adults with mental health disorders ($139,914), and adults with substance use disorders ($125,065).

4. The department projects an increase in benefit expenditures resulting from the anticipated implementation and subsequent increase in utilization of TCM services in FY 2029. The increase in benefit expenditures will come from both Traditional Medicaid and Medicaid Expansion populations. The Traditional Medicaid FMAP is 61.47% federal funds and 38.53% state funds. The Medicaid Expansion FMAP is 90% federal funds and 10% state funds. The total projected program cost increase is $2,831,529, with the state share estimated at a blend of FMAPs of 28% resulting in an increased cost of $792,828 ($2,831,529*.28) and the federal share estimated at $2,038,701 ($2,831,529*.72). This projection is based on an anticipated 25% increase in the utilization of TCM service.

Technical Notes:

1. The department assumes that all state funds required for implementation and recurring costs will be allocated from the Behavioral Health System for Future Generations (BHSFG) state special revenue fund.

2. Any delay in procurement for contractors may push projected costs into future fiscal years.

3. Projected expenditures for FY 2030 and FY 2031 assume a 1.5% inflationary factor for state and federal funds.