

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3827S.01I
 Bill No.: SB 1151
 Subject: Hospitals; Juvenile Courts; Children and Minors; Children's Division; Department of Social Services; Mental Health; Department of Mental Health; Disabilities; Medicaid/MO HealthNet
 Type: Original
 Date: March 23, 2026

Bill Summary: This proposal establishes the "End Hospital Institutionalization Act".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|--|---|---|---|
| General Revenue | Could exceed (\$148,607,192) | Could exceed (\$156,541,975) | Could exceed (\$160,768,219) |
| Total Estimated Net Effect on General Revenue | Could exceed (\$148,607,192) | Could exceed (\$156,541,975) | Could exceed (\$160,768,219) |

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|---|------------|------------|------------|
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|---|------------|------------|------------|
| Federal Funds* | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

* Revenue gain and costs are estimated at \$12,500 in FY 2027 only and net to zero.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|--|----------------|----------------|----------------|
| General Revenue* | Unknown | Unknown | Unknown |
| | | | |
| Total Estimated Net Effect on FTE | Unknown | Unknown | Unknown |

*DMH FTE estimate includes an unknown number of contracted staff, Oversight will present the potential number of additional DMH FTE as “Unknown”.

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|--------------------------|------------|------------|------------|
| | | | |
| Local Government* | \$0 | \$0 | \$0 |

*Oversight assumes revenue gain and costs for hospitals will net to zero.

FISCAL ANALYSIS

ASSUMPTION

§191.1900 - End Hospital Institutionalization Act

Officials from the **Department of Mental Health (DMH)** state §191.1900 shall be known as the “End Hospital Institutionalization Act”.

Subsection 2 defines “boarding” or “boarded” as any continued stay of a medically stable patient in a hospital or emergency room that occurs without medical justification because the patient’s caretaker is unable or unwilling to ensure the safety, well-being and necessary ongoing medical, behavioral or psychological care the patient needs outside of the hospital and the safety of the public with respect to the patient’s behaviors in the community.

Subsection 5 states upon notification by a hospital that an individual who has been diagnosed with a developmental disability, serious mental illness, or substance use disorder is being boarded, DMH shall provide case management and treatment, including residential or inpatient treatment as appropriate, without delay and in the least restrictive environment possible.

Subsection 6 adds the state shall reimburse the hospital the actual costs for boarding or the hospital’s full allowable costs under MO HealthNet rules, whichever is greater, for each day an individual is boarded after the juvenile court or DMH has been notified of the boarding of the individual.

The Department of Mental Health (DMH) would be responsible for providing case management and treatment, including residential or inpatient treatment for any of those individuals who have been diagnosed with a developmental disability, serious mental illness, or substance use disorder who are being boarded by a hospital. In addition, it requires DMH to reimburse the hospital actual costs for boarding, or the hospital’s full allowable costs under MO HealthNet rules, whichever is greater, for each day an individual is boarded after DMH has been notified.

Since there are no restrictions on how much the hospital may spend to provide the care, DMH estimates the fiscal impact of this proposal to be FY 2027 GR (\$128,889,244 to Unknown), FY 2028 GR (\$131,311,764 to Unknown) and FY 2029 GR (\$133,831,184 to Unknown).

In further discussions with DMH, **Oversight** learned the following:

The **DMH, Division of Behavioral Health (DBH)** anticipate 50 individuals with a cost reimbursement for hospital boarding at \$54.8M. They estimate cost for residential placements with contracted providers for staffing and facility expenses at \$5.8M.

The **DMH, Division of Developmental Disabilities** noted that they anticipated 50 individuals with an estimated cost of reimbursement of \$32.7M (includes both case management and

treatment). They figured one-time capital improvement projects of \$9.3M and ongoing costs for 228 FTE of \$19.7M and \$6.5M E&E that includes contracted staff.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DMH.

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state this legislation will be known as the “End Hospital Institutionalization Act”. It states upon notification by a hospital, an individual who has been diagnosed with a developmental disability, serious mental illness, or substance use disorder being boarded at a hospital, the Department of Mental Health shall provide case management and treatment, including residential or inpatient treatment as appropriate, without delay and in the least restrictive environment possible. This also includes a child who is under the jurisdiction of a juvenile court who is being boarded; the juvenile court shall immediately intervene to ensure that such child is placed in an appropriate setting and afforded proper treatment. Also included, a child who is not under the jurisdiction of a juvenile court being boarded, the juvenile court of the county in which the hospital is located shall immediately take custody of the child to ensure that such child is placed in an appropriate setting and afforded proper treatment. This could ultimately lead to additional enrollment in managed care, along with possible increased costs in the inpatient stay for the above-stated children, but it is unknown what this increase could be at this time.

The MO HealthNet Division (MHD) estimates that there could be savings driven by reducing utilization of inpatient hospital services as individuals are moved to less restrictive environments, e.g., a Psychiatric Residential Treatment Facility (PRTF) or residential treatment providers. However, the potential is limited as it is an expectation that the health plans are working to ensure children are placed in the appropriate setting and afforded proper treatment. This has been a specific focus of the Show Me Healthy Kids program and its enhanced care management requirements.

MHD estimates an actuarial cost to evaluate this program change to the Managed Care capitation rates to be no more than \$25,000 (50% GR; 50% Federal).

This legislation also applies to MHD Fee-For-Service state plan; however, it is unclear which agency would pay for these services. The legislation states that the state must pay for each day an individual is boarded at the hospital or the hospital’s full allowable costs under MO HealthNet Rules, whichever is greater after the juvenile court or DMH has been notified of the boarding of such individual. MHD estimated how many days have been denied due to the lack of medical necessity for participants. Due to this lack of medical necessity, MHD estimates that all of these costs would be GR. The estimated impact is \$19,717,948 (\$19,692,948 + \$25,000 actuarial cost) for FY27. For FY28 and FY29, a 6.765% medical inflation rate was used.

Totals:

FY27 Total: \$19,717,948 (GR \$19,705,448; Fed \$12,500)

FY28 Total: \$25,230,211 (GR \$25,230,211)
FY29 Total: \$26,937,035 (GR \$26,937,035)

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DSS, MHD.

Oversight notes that hospitals will receive reimbursements from DMH and DSS as appropriate and therefore, Oversight will reflect the estimates for hospital costs and reimbursements as Unknown and assumes the reimbursements are likely to exceed \$250,000 annually and net to zero.

Officials from the **Office of State Courts Administrator (OSCA)** stated there may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Oversight notes OSCA assumes this proposal may have some impact on their organization although it can't be quantified at this time. As OSCA is unable to provide additional information regarding the potential impact, Oversight assumes the proposed legislation will have a \$0 to (Unknown) cost to the General Revenue Fund. For fiscal note purposes, Oversight also assumes the impact will be under \$250,000 annually. If this assumption is incorrect, this would alter the fiscal impact as presented in this fiscal note. If additional information is received, Oversight will review it to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

Officials from **Department of Health and Senior Services, Department of Public Safety, Missouri Highway Patrol, Office of Administration (OA), (OA) Administrative Hearing Commission, Office of the State Public Defender, Phelps County Sheriff's Department, Kansas City Police Department and St. Louis County Police Department** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to similar legislation, SB 557 (2025), officials from the **Missouri Office of Prosecution Services** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other county officials, law enforcement agencies and hospitals were requested to respond to this proposed legislation but did not. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note. A general listing of political subdivisions included in our database is available upon request.

| <u>FISCAL IMPACT – State Government</u> | FY 2027 (10 Mo.) | FY 2028 | FY 2029 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| GENERAL REVENUE | | | |
| <u>Cost</u> - DMH (§191.1900) Case management and hospital reimbursements p.3-4 | (\$128,889,244 to Unknown) | (\$131,311,764 to Unknown) | (\$133,831,184 to Unknown) |
| <u>Cost</u> - DMH (§191.1900) FTE costs – salary, fringe, E&E for an unknown number of FTE and contracted staff p.3-4 | (Unknown) | (Unknown) | (Unknown) |
| <u>Cost</u> - DSS, MHD (§191.1900) Additional days of hospital boarding p.4-5 | (\$19,705,448) | (\$25,230,211) | (\$26,937,035) |
| <u>Cost</u> - DSS, MHD (§191.1900) Actuarial study p.4-5 | (\$12,500) | \$0 | \$0 |
| <u>Cost</u> – OSCA (§191.1900) Potential impact on courts p.5 | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | Could exceed (\$148,607,192) | Could exceed (\$156,541,975) | Could exceed (\$160,768,219) |
| Estimated Net FTE Change on General Revenue | Unknown | Unknown | Unknown |
| FEDERAL FUNDS | | | |
| <u>Revenue Gain</u> - DSS, MHD (§191.1900) Reimbursement for actuarial study p.4-5 | \$12,500 | \$0 | \$0 |
| <u>Cost</u> – DSS, MHD (§191.1900) Actuarial study p.4-5 | (\$12,500) | \$0 | \$0 |
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | \$0 | \$0 | \$0 |

| <u>FISCAL IMPACT – Local Government</u> | FY 2027 (10 Mo.) | FY 2028 | FY 2029 |
|--|---------------------|-------------------|-------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Revenue Gain</u> - Hospitals (§191.1900) Reimbursements for patient boarding p.5 | Unknown | Unknown | Unknown |
| <u>Cost</u> - Hospitals (§191.1900) Boarding of medically stable patients p.5 | (Unknown) | (Unknown) | (Unknown) |
| ESTIMATED NET EFFECT ON LOCAL GOVERNMENT* | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

*Oversight assumes income and costs for hospitals will exceed \$250,000 annually and net to zero.

FISCAL IMPACT – Small Business

No direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

SB 1151 - This act establishes the "End Hospital Institutionalization Act". The juvenile court, upon notification from a hospital that a child under the jurisdiction of the juvenile court is being boarded at a hospital when he or she is medically stable but unable to be discharged for reasons specified in the act, shall immediately intervene to ensure such child is placed in an appropriate setting and afforded proper treatment. For boarded children not under the jurisdiction of the juvenile court, the court shall immediately take custody of the child to ensure that the child is placed in an appropriate setting and afforded proper treatment. For boarded individuals diagnosed with a developmental disability, serious mental illness, or substance use disorder, the Department of Mental Health shall provide case management and treatment without delay and in the least restrictive environment possible.

The state shall reimburse the hospital the actual costs for boarding, or the hospital's full allowable costs under MO HealthNet, whichever is greater, for each day an individual is boarded after the juvenile court or the Department has been notified of the boarding of such individual.

This legislation is not federally mandated, would not duplicate any other program. However, it would require additional capital improvements and rental space.

SOURCES OF INFORMATION

Administrative Hearing Commission
Department of Health and Senior Services
Department of Mental Health
Department of Public Safety, Missouri Highway Patrol
Department of Social Services
Missouri Office of Prosecution Services
Office of Administration
Office of the State Courts Administrator
Office of the State Public Defender
Phelps County Sheriff's Department
Kansas City Police Department
St. Louis County Police Department



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