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F I S C A L I M P A C T R E P O R T

SPONSOR: Jennings DATE TYPED: 03/04/01 HB

SHORT TITLE: Mental Health Fee-for-Service Arrangements SB 626

ANALYST: Taylor

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	**FY02**	**FY01**	**FY02**		
	NFI		See Narrative		

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB 641, HB 211

SOURCES OF INFORMATION

Human Services Department (HSD)
Health Policy Commission (HPC)
Public Defender Department (PDD)

SUMMARY

Synopsis of Bill

Senate Bill 626 requires the Human Services Department to exclude mental and behavioral health from the Medicaid managed care system, and requires the department to provide mental and behavioral health services under a fee-for-service arrangement.

FISCAL IMPLICATIONS

The HSD bill analysis does not report a fiscal impact estimate. The department's analysis says that potential cost savings to the managed care program would probably be offset by increased utilization review and fiscal contractor costs. However, throughout the budget cycle, the department has insisted that the carve-out would cost about $22 million general fund due to increased utilization. The basis for the assumption of increased utilization was never substantiated despite several requests, including one in the Legislative Finance Committee Budget Book. The major reasons to doubt an increase in costs under fee-for-service is the excessive amount of behavioral health costs that are being spent for administrative purposes under the current managed care arrangement. LFC auditors found that upward of 40 percent of behavioral health dollars go to pay for administration. Assuming that a fee-for-service arrangement limits the percent of dollars for administration to 15 to 20 percent, significant dollars would be free to pay for increased utilization. Still, it should be recognized that there may be a fiscal risk to the proposed change.

ADMINISTRATIVE IMPLICATIONS

HSD reports an administrative impact resulting from the need to develop new rules and procedures and to estimate cost for managed care.

OTHER SUBSTANTIVE ISSUES

The Human Services Department bill analysis suggests that there are benefits to providing mental and behavioral health services in a managed care environment. They say that care is better coordinated when both physical and mental health services are provided under one system. They also claim that under-fee-for-service enhanced mental and behavioral health services provided by managed care would be lost, including adult inpatient treatment in free standing psychiatric hospitals, intensive outpatient counseling, respite and shelter care, adult group home, transitional living services for adults, mobile crisis teams, additional substance abuse counseling, consumer run drop-in center, on-call pager services and electro-convulsive therapy. The department also claims that there may be decreased access to care since clients due to certain providers that are used by managed care companies are not authorized Medicaid providers.
However, concerned parties outside the department have noted that some of the additional benefits provided by managed care could be addressed in a fee-for-service environment provided the department was willing to seek changes to the state's plan.

The Health Policy Commission bill analysis emphasizes concerns that managed care's focus on cutting costs have compromised patient care and rights. They note that behavioral health has generated the most controversy and criticism, with complaints from providers, advocates and consumers. In particular, they note that concerns raised by advocates and the congressional delegation led the federal Health Care Financing Administration to mandate a change to fee-for-service. Since then HCFA essentially reversed that decision, but it made keeping behavioral health in managed care contingent upon the department developing numerous safeguards.

HCFA's letter of February 16, 2001 to the Human Services Department required the department to institute a number of safeguards for the managed care behavioral health program including that: the state contract with an independent organization to review behavioral health authorizations who will perform audits of the program to see if authorized service levels are appropriate; that the state take corrective actions with the MCO's based upon the audits; the state notify beneficiaries and providers of a separate statewide toll free number to report concerns related to behavioral health service authorization denials or reductions; the state provide a monthly report of hearings filed related to behavioral health services; the state establish by July 1, 2001 an ombudsman program to act as an intermediary and advocate for beneficiary concerns related to behavioral health activities; the state develop by no later than July 1, 2001 and conduct by no later than January 1, 2002 a survey for beneficiaries with behavioral health needs; and the state establish, with the involvement of stakeholders, a system for tracking and reporting on a quarterly basis key variables of program performance

BT/njw:ar