

# Financing and Contracting Strategies: Developing a Mental Health and Substance Abuse Services System that Works

Colorado Behavioral Health Task  
Force

December 4, 2007

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# About the Presenter

- ◆ 15 years in Arizona State Government, 5 years as Deputy Director, Arizona Department of Health Services (Behavioral Health Division)
- ◆ Directed 5 managed care contracts, 3 tribal contracts, state hospital, and the sexually violent persons program, adult and children's class action lawsuit
- ◆ 120,000 enrolled members, \$900 million budget
- ◆ Past 2 - 3 years, consulted with the Federal Government, states, managed care companies, non-profit organizations and other consulting firms to study financing and Medicaid issues and present solutions to complex problems.

# Today's Discussion

- ◆ What are the trends in organizational and policy practices that can make a difference?
  - Structure and Infrastructure
  - Financing
  - Contracting
  - Legislation

# Infrastructure Grant States

- ◆ Federal action to assist states
- ◆ 5 years of infrastructure funding (MHT-SIG) from SAMHSA/CMHS
- ◆ Funding not for clinical services
- ◆ 9 States, 7 in 3<sup>rd</sup> year, 2 in 2<sup>nd</sup> year
- ◆ Comprehensive Mental Health Plans, Needs Assessment and Resource Inventory
- ◆ Under Governor's direction
- ◆ Evaluation

# Infrastructure Grant States - Evaluation

- ◆ Determine if State mental health systems are being transformed to be recovery-oriented
- ◆ Determine if transformation efforts result in mental health consumer recovery
- ◆ Document the factors associated with successful transformation and the ones that are not
- ◆ Assist States in meeting Government Performance and Results Act (GPRA) requirements
- ◆ Determine changes in client outcomes as measured by National Outcome Measures (NOMs)
- ◆ Demonstrate cost efficiency of MHT SIG program
- ◆ Cross-site evaluation begins in April 2008

# Government Performance and Results Acts Measures

- ◆ Increase percent of policy, financing policy and organizational changes completed
- ◆ Increase number of persons trained in service improvements
- ◆ Increase number of organizations that regularly obtain and analyze data
- ◆ Increase number of consumer and family member participants
- ◆ Increase number of programs implementing practices consistent with the Comprehensive Mental Health Plan

# Infrastructure Grant States

- ◆ Oklahoma –
  - Governor's Executive Order
  - Innovations Center
    - ◆ Resource for state agencies delivering mental health services
    - ◆ Team development
    - ◆ Data experts
    - ◆ Clinical expertise
    - ◆ Governor's Transformation Advisory Board
  - [www.okinnovationcenter.org](http://www.okinnovationcenter.org)

# Infrastructure Grant States

- ◆ New Mexico – Purchasing Collaborative
  - Statutory change created collaborative
  - Statutory change moved behavioral health division to different department
  - Tied to Governor's Health Initiatives
  - Purchase services through a comprehensive Managed Care Contract

# Infrastructure Grant States

- ◆ Washington – Legislation passed to allow counties to collect an options tax to fund behavioral health services

# Infrastructure Grant States

- ◆ Emphasis on transformation does change when Governors are elected
- ◆ Leadership changes can effect momentum of implementation
- ◆ Effectiveness of separate organization managing grant

# Other States

- ◆ Maine has contracted for administrative services organization for mental health and substance abuse services
- ◆ Arizona Department of Health Services
  - requires MCOs to sign agreements with other state agencies
  - implemented Covered Services Project in FY 2002 – fee schedule, definitions, new community services, added provider types, policy and clinical guidance manuals, contract changes, licensing, certification, training and funding mix
  - equitable coverage for mental health and substance abuse

# Other States

- ◆ Louisiana's Governor created an Executive Order to study mental health, completed a services and systems review, developing a comprehensive mental health plan
- ◆ Montana just issued an RFP to prepare a service delivery needs assessment and seek out alternative funding sources for mental health services

# Financing and Medicaid

- Medicaid and review of the facts related to mental health– NRI, Inc. – 2004 State Profiles
  - ◆ Over 55% of consumers have at least a portion of their mental health services paid by Medicaid, this represents 2.8 million of the 5.1 million persons represented in the data
  - ◆ FY 2003, Medicaid revenue grew to \$10.4 billion, up from \$4.97 billion in FY 1997.
  - ◆ FY 2003, Medicaid represented 26% of all revenues at state psychiatric hospitals, and 48% of revenues of the community mental health system operated or funded by States.

# Financing and Medicaid

## CMS – what are they looking for?

- ◆ Background: Centers for Medicare and Medicaid Services (CMS) – What they repeatedly say....
  - 50 states with 50 State Plans and amendments
  - More than 20 operating authorities
  - Several funding authorities including state plans, home and community based waivers, research and development waivers, grant programs, 1115, 1915 a, b, & c
  - Always watch for new regulations, such as targeted case management, proposed rehabilitative services option
  - States should contact CMS to discuss what they want and then negotiate how to accomplish goals using combinations of existing authorities

# Financing and Medicaid CMS – what are they looking for?

- ◆ Services must
  - Promote quality of care
  - Be cost effective
  - Be accessible
- ◆ States must
  - Be accountable for federal funds
  - Have auditing capabilities
  - Purchase what works, not what doesn't work

# Financing and Medicaid


## How States Can Respond

- ◆ What is in your state's long and short term financial strategy for financing mental health and addictions services?....Do you have one?
- ◆ Is your state seeking a cost neutral or growth and expansion strategy?
- ◆ Listen to your financial people
- ◆ At a minimum, respond with actual and projected cost data by population, fund type, and unit cost
- ◆ Although not a popular statement, work within CMS's limitations
- ◆ Purchase what works and don't purchase what doesn't work

# Arizona Covered Services Project Results

- ◆ Added peer support and family support, living skills, foster care treatment (now home care training to client), respite care, and more on the web at [www.azdhs.gov\bhs\bhs\\_gde.pdf](http://www.azdhs.gov\bhs\bhs_gde.pdf)
- ◆ Produced HIPAA compliant transaction set changes and DSM/ICD 9 crosswalk
- ◆ Room and board rates adopted by child welfare
- ◆ Provider and MCO contracts changed and aligned with state objectives and reporting requirements
- ◆ Received additional funding based on credible data analysis and complete understanding of financial information. ***Budget grew from \$400 to \$800 m.***

# Financing Strategies that Focus on Funding

- ◆ New Mexico – New Comprehensive Community Support Services approved by CMS (TAC, Technical Assistance Collaborative)
  - ◆ Kentucky - Financial Strategy Development
  - ◆ South Carolina – Action plan to “right” clinic deficits
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# Reimbursement Methods

- Reimbursement methodologies -  
Reimbursement methods and capabilities are key in determining what type of programs the state offers
  - ◆ **Fee-for-service**
    - A type of payment by which providers are reimbursed for a service after a service is rendered to an eligible recipient not receiving a service from a managed care plan.
    - Fee-for-service payment schedules may be delegated to mental health authorities but are usually approved by the state Medicaid agency.

# Reimbursement Methods

## ◆ Pre-paid capitation

- A type of payment made under a risk contract, generally to a managed care organization (MCO).
- The payment is made on a monthly basis at a fixed amount on behalf of each individual enrolled in the MCO.
- In exchange for the capitation payment, the MCO agrees to provide or arrange services covered under the contract with the State.
- The State agency makes the payment regardless of whether the particular recipient receives services during the period covered by the payment

# Reimbursement Methods

## ◆ Cost settlement

- An “in arrears” process to settle prospective interim payments made to providers by the State Medicaid agency.
- Claims are submitted to an MMIS system after a service is rendered and are adjudicated to process the claim, price the claim according to regular Medicaid reimbursement rates, and determine if the claim is covered or not covered.
- The claim will not be paid, however, since the
- providers receive prospective payments.

## ◆ Pay and chase

- An “in arrears” process to settle prospective interim payments made to providers for any funding source. States often “chase” after the information to support the payment.

# State Experience with Performance-Based Contracting

- ◆ What gets measured gets done.

# State Experience with Performance-Based Contracting

## ◆ Maine

- New Administrative Services Organization requirement. Up to 3% of per member/per month administrative fee at risk to meet 6 performance standards.
- Performance standards include data management related to authorization and payment; Hospital Readmissions; Follow-up Care within 30 days; Member Appeals Processing; Member Satisfaction, Telephone Access and Call Abandonment rates
- Uses a comprehensive reporting structure
- Uses specific metrics and definitions for each standard, including establishment of Minimum Performance Thresholds (MPTs)

# State Experience with Performance-Based Contracting

## ◆ New Mexico

- Requires statewide managed care entity to regularly report on overall and specific requirements of contract. These fall into three categories: financial, managerial and utilization of services.
- If contract requirements are not met, New Mexico may take action against the contractor in the form of a Corrective Action Plan (CAP), a Directed Corrective Action Plan (DCAP), or through Civil Money Penalties.

# State Experience with Performance-Based Contracting

## ◆ Arizona

- Uses MPTs and goals for all services delivered to all Medicaid-eligible populations and to all persons with a serious mental illness. MPTs include access to care/appointment availability, coordination with primary care plans, behavioral health recipient involvement, informed consent for psychotropic medications, maximum allowable administrative cost percentage/minimum allowable service percentage and others. If not met, CAPs and sanctions may be implemented. Sanctions include penalties of \$5,000 to \$25,000 per violation.
- Uses Performance Guarantees and Incentives for additional performance measures related to adult system of care and children's system of care performance. Arizona budgets for incentives if goal is met, withholds payment if threshold is not met (threshold and goal are set by the State at the beginning of the contract year). Guarantees and incentives are maxed at 1% each.
- Uses reports, independent and peer reviews.

# Thank you!

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