

Medicaid and Other Strategies for Financing Mental Health Services

NTAC Training and Technical
Assistance Workshop – Eastern
Regional

Philadelphia, PA

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Background and Purpose

- Technical Assistance will be delivered by Leslie Schwalbe, Past Deputy Director, Arizona Department of Health Services (Arizona's version of Mental Health Commissioner)
- Importance of Financing Technical Assistance – transformation includes lots of great ideas, but how do these ideas get funded?
- Most effective when combined with other technical assistance

Background and Purpose

- After examination of State's mental health budget from all funding sources, State Plan, Medicaid waivers and other financial information, *outcomes* may include:
 - recommendations for increasing Medicaid's participation for funding mental health services;
 - developing and writing new Medicaid covered services definitions;
 - development of assumptions for rates and fee schedules;
 - recommendations for preparation of financial reporting; policy papers; auditing and oversight of community expenses

Today's Primer

- Emphasis on Medicaid – Title XIX/XXI of the Social Security Act
- Making yourself financially smarter
- Examples of preliminary work done in other states
- Proposed Technical Assistance Activities

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
 - States should contact CMS to discuss what they want and then negotiate how to accomplish goals using combinations of existing authorities

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

How States Can Respond

- Whether you are a carve in or carve out, are in full or partial control of costs, *make yourself and your agency financially smarter.*
- If you are new, don't act like it, know your financial position

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

Recent Focus on Medicaid Financing

- NASMHPD/NRI Revenue and Expenditure Reports
- CMHS/NTAC Funding Peer Reviews – Maine, Oklahoma, Virginia, 7/05 – 9/06 – 3 days on-site
- Behavioral Health Policy Collaborative, Inc. and the Technical Assistance Collaborative Services and Systems Review – Louisiana, 4/06 – 6 days on-site
- New Mexico – T-SIG State - ongoing
- Experience from Arizona – 18 months to implement
- CMHS Strategies for Financing and Organization of Mental Health Services – 8/06 and 10/06
- Annual T-SIG Grantee Meeting – Financing Roundtable – 11/06

Financing Mental Health Services – how does your state measure up?

- NASMHPD/NRI Revenue and Expenditures Report
- NASMHPD/NRI State Profiles Report
- Understand which comparisons are important and what they mean

State Profile Highlights

Information from the National Association of State Mental Health Program Directors Research Institute, Inc. (NRI)

No. 96-01

August 2006



FY 2004 Revenue and Expenditure Study Results

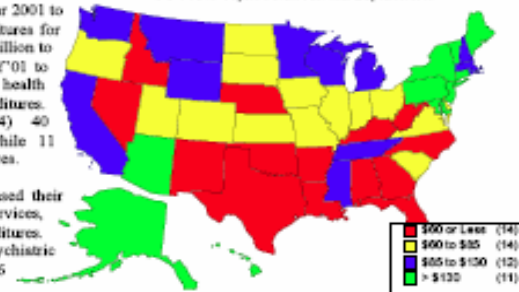
MAJOR FINDINGS:

- State Mental Health Agencies (SMHAs) expended over \$27.1 billion on mental health services in Fiscal Year 2004, an increase of 3.1% over Fiscal Year 2003.
- Adjusted for inflation, 28 SMHAs experienced a decline in expenditures from FY'01 to FY'04.
- SMHAs received most of their revenues (83%) from state and local government taxes.
- Medicaid funding represented the largest source of increases, rising over 8.5% per year between FY'01 and FY'04.
- Community mental health expenditures increased by 7.7% per year since FY'01, and now represent over 69% of total SMHA expenditures.

Preliminary Results Based on 50 States and D.C. Reporting

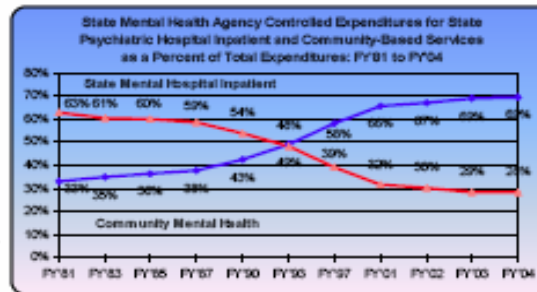
FY'04 Per Capita Mental Health Expenditures

FY'01 to FY'04 Change: From Fiscal Year 2001 to Fiscal Year 2004, SMHA-controlled expenditures for mental health services increased from \$23.1 billion to \$27.2 billion, an increase of 18%. From FY'01 to FY'04, 42 SMHAs increased mental health expenditures, while 9 decreased their expenditures. Over the last year, (from FY'03 to FY'04) 40 SMHAs increased their total expenditures, while 11 states decreased their mental health expenditures.



From FY'01 to FY'04, 45 SMHAs increased their expenditures on community mental health services, while 6 SMHAs decreased these expenditures. Fewer SMHAs, 35 increased their psychiatric inpatient hospital expenditures, while 16 decreased their expenditures.

There is a continued shift from spending on state psychiatric hospitals to community-based services. From FY'01 to FY'04, community mental health expenditures increased 24.8% while state psychiatric hospital expenditures increased only 5.5%. Community-mental health expenditures accounted for 69% of total SMHA-controlled expenditures and state psychiatric hospital expenditures were 28%. This is a major shift from FY'81, when Community-mental health expenditures accounted for 33% of SMHA expenditures and state psychiatric hospitals were 63% of expenditures.



The SMHA Profile System was developed by the NASMHPD Research Institute, Inc., under contract No. 200-99-0502 from the Substance Abuse and Mental Health Services Administration/Center for Mental Health Services (CMHS)/Division of State and Community Systems Development/Survey and Analysis Branch. Cited reproductions, comments and suggestions are encouraged. Please contact Ted Lattimore (ext.121) with any questions or concerns.

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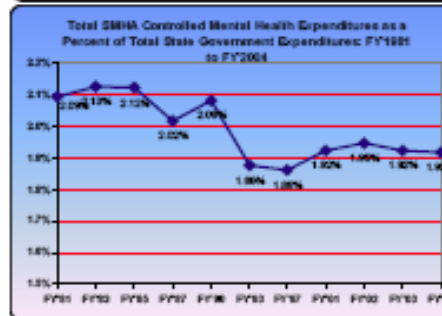
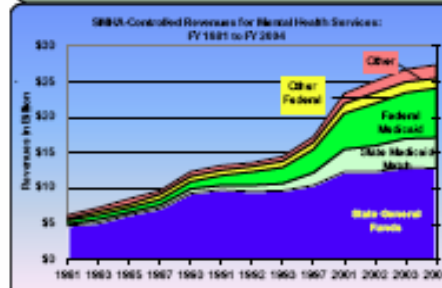
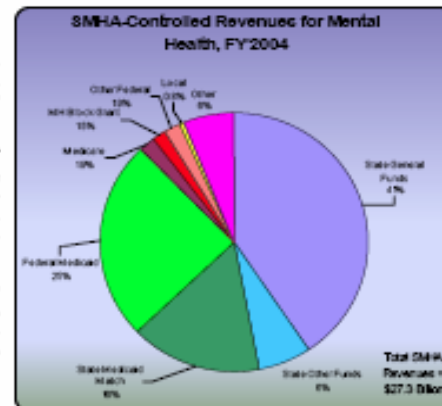
Take a look at this data on the web at www.nri-inc.org

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State Tax Dollars Remain the Major Source of Funding of SMHAs: In FY'04, 63% of SMHA funding came from state government sources. This is a slight decline from 67% in FY'01. In FY'04, state tax dollars accounted for \$17.1 billion of funding for SMHA mental health services. These funding sources included State General and Special funds of over \$12.8 billion, and state Medicaid match of almost \$4.3 billion. The federal government was the second largest funder of SMHA services, with FY'04 dollars totaling \$8.36 billion (31% of total SMHA funding). The majority of federal revenues came from Medicaid (\$6.9 billion), followed by Other Federal Funds (\$1.53 billion), Medicare (\$1.51 billion), and the Community Mental Health Block Grant (\$1.41 billion). Local and other funds contributed the remaining \$1.9 billion of funds expended by SMHAs. Total Medicaid funds (State Match and Federal Share) received by SMHA-funded programs represented \$11.2 billion (41%) of SMHA resources.

FY 01 to FY 04 Revenue Trends: During the Fiscal Years 2001 to 2004 state governments were undergoing major budget shortages and total state government spending slowed greatly. During this time period, total SMHA-controlled health revenues for mental health services increased by 5.6% per year from FY'01 to FY'04. Medicaid funding (federal and state match) increased 9.5% per year to \$11.2 billion, representing a slower increase than the prior decade (FY'90 to FY'01 increased an average of 16% per year.) Still, Medicaid funding represented the largest source of new funds and came during a period of major state budget shortages. From FY'01 to FY'04, 65% of new SMHA funds came from Medicaid. Only 19% of new SMHA funds came from State General Revenues to the SMHA.

SMHA-Controlled Mental Health Spending and Total State Government Expenditures: Over the last two decades, total state government expenditures for all purposes have grown at a faster rate than SMHA-controlled expenditures. According to the U.S. Census Bureau, in FY'81, State governments expended \$291.5 billion of which 2.09% were for mental health services that SMHAs controlled. Twenty-three years later, SMHA-controlled expenditures for mental health were 1.92% of total state government expenditures. If SMHAs had received, in FY'04, the same percentage of total state expenditures, their expenditures would be \$2.2 billion, or over 8% higher than reported FY'04. However, for the last 14 years, SMHA expenditures as a share of total state government expenditures have increased slightly. This growth is largely due to the increase in Medicaid used for mental health. State general fund expenditures for mental health have increased slower than state general fund expenditures for other state services over this time period.



Electronic copies of *Funding Sources and Expenditures of State Mental Health Agencies, 2004* will soon be available via the NRI's website at www.nri-inc.org. Printed copies will also be available for a small charge. July 2006

T-SIG New Mexico

- The Purchasing Collaborative makes many of its decision in public, including financial decisions.
- Transformation includes new services to be covered under Medicaid, alignment with other agency definitions, rates, and licensing.

Arizona's Covered Services Project

- Contracted with qualified, respected consultants who knew Medicaid in Arizona and nationally
- Prepared for eligibility expansion, lawsuit compliance
- Aligned and modified eligibility, service codes, service definitions, provider types, licensing, certification, training and funding mix
- Developed new fee schedule: Used both a top down and bottom up approach to analyzing costs, including analysis of administrative costs, national labor data, no-show, and training allowances for per unit rates. Selected rates continue to be reviewed each year

Arizona's 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
- Produced HIPAA compliant transaction set changes and DSM/ICD 9 crosswalk
- Room and board rates adopted by child welfare
- Provider and MBHO 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.***

Technical Assistance – A Beginning

- Develop clear statement (expression) of what the state mental health authority wants to accomplish
- Gather background materials –
 - Medicaid waivers, state plan coverage, including population, services and limitations, and state plan amendments. Is there a State Medicaid in Brief paper?
 - Budget and expenditure history for Medicaid and non-Medicaid funding, preferably for 5 years
 - Copies of regular and ad hoc financial reports with detailed descriptions of information in each report

Technical Assistance – A Beginning

- Conduct focused interviews
 - Medicaid policy office and financial staff
 - Mental health and addictions policy office and financial staff
 - State budget office, other state agencies, or other government financial stakeholder, if necessary
 - Consumers and family members
 - Survey method

Technical Assistance – A Beginning

- Examples of questions
 - Can funds be moved from inpatient to community without appropriation restrictions?
 - Is your state willing to seek authority to move funds between cost centers or line item appropriations?
 - What is your state's staffing capacity to conduct systematic financial oversight and review?

Technical Assistance – A Beginning

- Data collection. What are the sources of data collection? Are the sources monitored? Is the data valid? How do you know what you know?
- Provider contracts and contract requirements. What financial information is required? Is it accurate and is it audited?
- What do your state's payors want to purchase?

Technical Assistance – A Beginning

- Has there been a CMS, state, or internal audit of mental health expenditures and oversight? Does your state have a corrective action plan to address the findings? How can this be used to strengthen the need for additional funding?

Technical Assistance – A Beginning

Questions?

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