

Financing Mental Health Transformation

How To Plan and Manage When The Rules Keep Changing

NASMHPD Winter Conference

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Scottsdale, AZ

Goals For The Session

- Provoke Thought – the issues are difficult
- Interactive discussions – Many of the issues are common among the states
- Talking about solutions rather than problems
- Taking away at least one good idea to use

Transformation – What Is It?

- The current “new thing” or something different?
- A process that alters:
 - How our mission is defined – recovery expectation
 - Who has a real seat at the table when creating change
 - How state agencies work together to provide behavioral health treatment and support services
 - How behavioral health and somatic health are managed collaboratively
 - The role of consumers as drivers rather than recipients of the system that provides their care

How Transformation Will Be Delivered

- Strategic plans are needed to guide the way
- Change will be incremental and opportunistic
- Changing one element of the system changes how others work – need to ensure that interim systems operate well
- Need to be bold, but also manage expectations
- Financing drives change or impedes it.
Conscious management is key

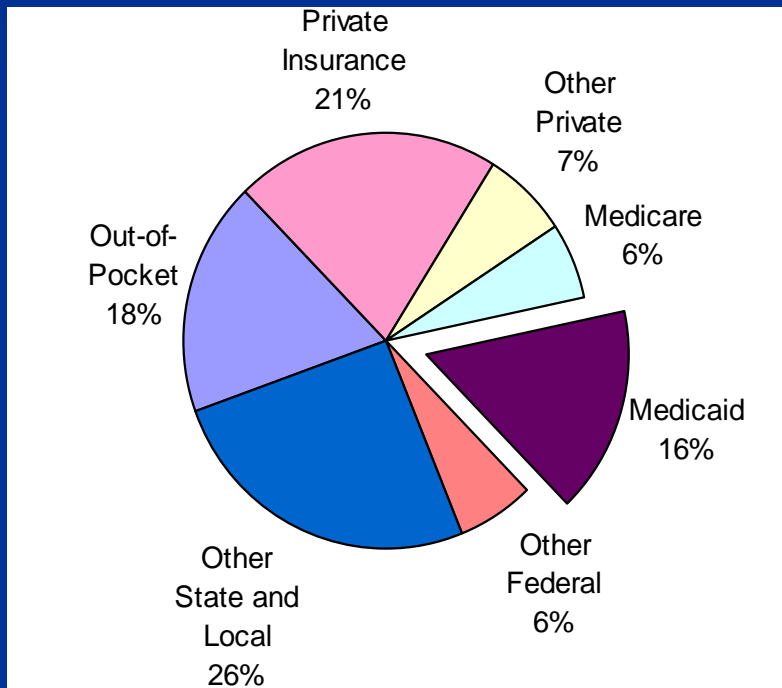
The Dilemma of Payors

- Medical costs are high
- Medical Inflation is twice general inflation
- Lack of “bang for the buck”
 - Despite high current costs, medical outcomes not decreasing future costs
 - Measures of productivity, absenteeism and presenteeism not improving
 - Increases in chronic diseases
- Hard to identify a party responsible for addressing the issues

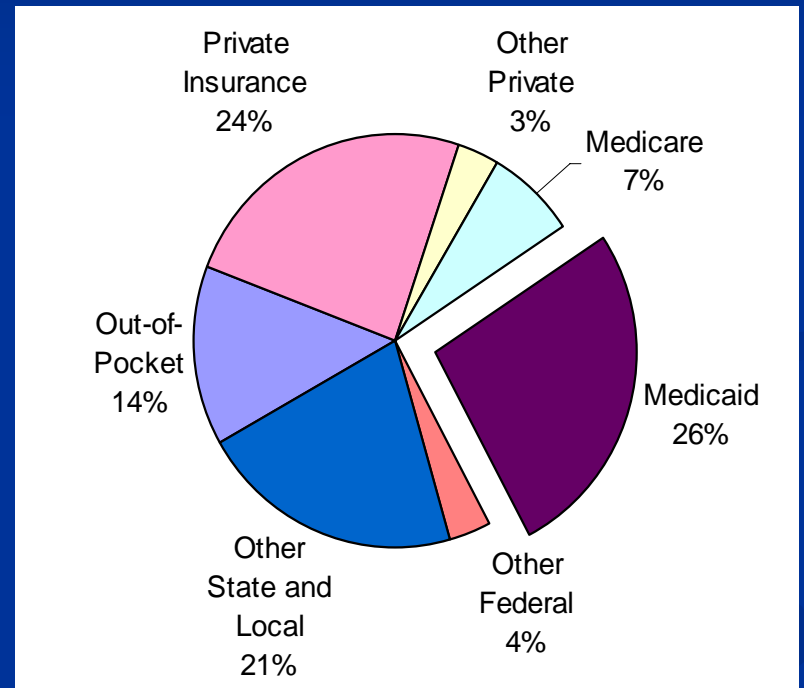
The Dilemma of Medicaid

- Medicaid is an insurance program that often has been used as a funding source
- States have been drawn to Medicaid as a solution to problems primarily because of the 50-70+⁰% federal match
- The rate of increase in Medicaid cost is unsustainable for states and the federal government
- State planning, expectations and flexibility are impacted by changes and clarifications in federal rules

Medicaid In All MH Spending

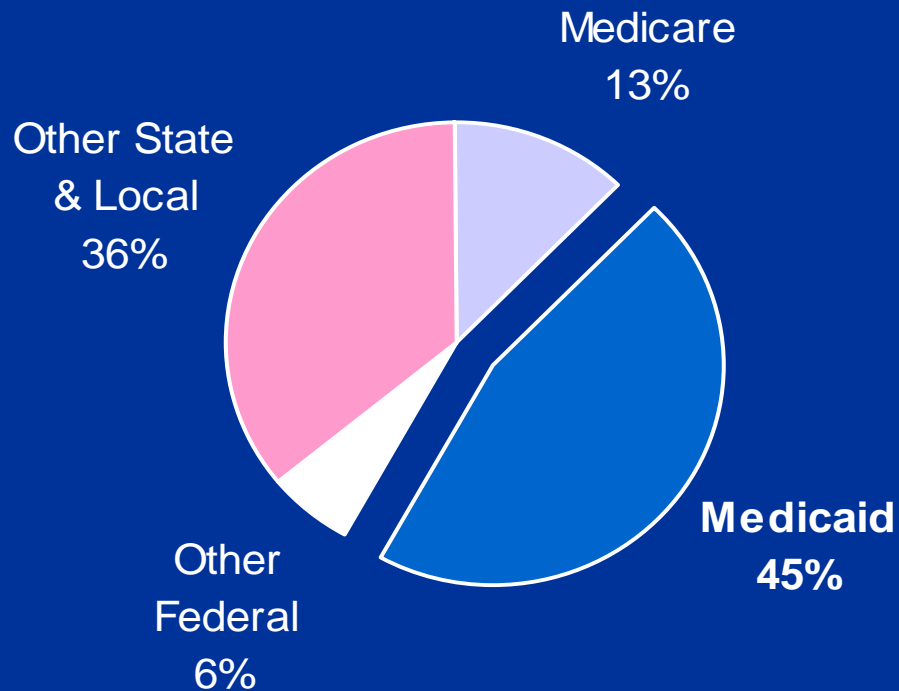


1986 = \$33.1B



2003 = \$100.3B

Medicaid In All Public MH Spending



How The Rules Are Changing

- Private insurers are cutting rates or limiting coverage
- Managed care is controlling access, choice and range of services available
- Congress is altering laws opening new options, but also restricting current options
- CMS is clarifying Medicaid interpretations of rules, often resulting in changes at the state level
- State legislatures are mandating controls on costs, requiring changes in programs or eligibility

So, How Do We Plan & Manage?

- What some states are doing:
 - Managing across silos
 - Gathering data across systems to use integrated disease management programs to address “frequent flyers”
 - Thinking “state budget” rather than “agency budget”
 - Looking at integration of primary care and mental health services where appropriate
 - Instituting peer delivered services to increase recovery focus and decrease cost
 - Centralizing referrals to outpatient providers from crisis hotlines and emergency departments

But, How Does Transformation Get Financed?

There are no true magic bullets

- Gaining clarity about what needs to be financed
- Separating practices and approaches into services
- Braiding and blending funding streams
- Replacement rather than addition
- The need to Leading and collaborating rather than managing

Managing Transformation of Financing

- Without intervention, capacity tends to follow the money
- Providers cross subsidize. Transformation alters the balance
- It takes time for providers to adjust to changes
- Increasing consumer choice and control could be destabilizing to some providers
- Balancing and modeling help to identify unintended consequences