National Association of State Mental Health Program Directors
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February 25, 2004

Centers for Medicare & Medicaid Services
Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Room 445-G
Washington, DC 20201

Attention: CMS – 1213-P

Subject: Prospective Payment System for Inpatient Psychiatric Facilities, Proposed Rule

To Whom It May Concern:

On behalf of the National Association of State Mental Health Program Directors (NASMHPD), thank you for the opportunity to comment on the Notice of Proposed Rulemaking (NPRM) regarding a prospective payment system for inpatient psychiatric facilities.

NASMHPD represents the $23 billion public mental health systems that serve 6.1 million people in 50 states, four territories, and the District of Columbia. As the directors of the state mental health systems, our members administer nearly 250 state psychiatric hospitals serving approximately 50,000 patients on any given day. In addition, our members administer and manage community-based systems of care for the millions of individuals with serious mental illness who at times require immediate access to a variety of inpatient facilities, including public and private psychiatric hospitals, and psychiatric units in general hospitals.

NASMHPD commends the Centers for Medicare & Medicaid Services (CMS) for the care it took in drafting the NPRM, an enormously complex task. In the years leading up to its issuance, we had urged CMS to structure a PPS that minimized the administrative burden placed on hospital systems and one that did not inappropriately differentiate state psychiatric hospitals from other inpatient facilities. We are pleased that CMS achieved these objectives.

The principal goal of the PPS system is to identify the actual costs of providing services in psychiatric hospitals and to ensure that hospitals are adequately and fairly reimbursed for the costs of those services. Our greatest concern going into this process was that the new PPS would perpetuate the practice of reimbursing government-owned psychiatric hospitals at rates on average much lower than other inpatient psychiatric facilities. It is generally agreed that these historical differences in reimbursement rates were at least partly the result of underreporting costs of providing services when submitting Medicare cost reports and claims forms, rather than differences in the actual, legitimate costs of providing services.

Most importantly, these differences in reimbursement rates are not because the types of services provided by government-owned psychiatric hospitals are somehow different, of lesser quality, or provided with different objectives in mind. The NPRM will take an important step both toward ending this misapprehension about the public mental health system and the services provided in its inpatient facilities and in correcting the historic inequity in reimbursement. Therefore, we support CMS' proposal for a PPS that applies a per diem base rate to all psychiatric hospitals and psychiatric units.

At the same time, we recognize that the new PPS will decrease the reimbursement rate for non-government psychiatric facilities and could result in closures of psychiatric units and hospitals. As noted above, NASMHPD's members are the stewards of the states' public mental health systems, each of which rely to varying degrees on a balance of psychiatric beds in multiple settings. We expect that a reduction of beds in certain regions would undermine that balance. In July 2003, President Bush's New Freedom Commission on Mental Health released its final report, *Achieving the Promise: Transforming Mental Health Care in America*, in which the Commission observed that many regions of the country are experiencing shortages of psychiatric beds. Consequently, the Commission recommended that the Department of Health and Human Services conduct a study to assess "existing capacities and shortages and [to propose] workable solutions to enhance delivering acute care and crisis intervention."[*] Clearly the need for this data would be critical to CMS and other policy-makers as we begin the long transition toward the full implementation of the PPS. We urge CMS to support and participate in this study and that it be designed in part to help us better assess the potential impact of the PPS on our mental health systems and to help us craft appropriate corrective measures.

Finally, we commend to you the comments submitted to CMS on January 20, 2004, *enclosed*, of the National Association of Reimbursement Officers (NARO), a partner organization to NASMHPD. NARO's membership is composed of state officials who are responsible for, among other things, services reimbursement policies and ensuring the fiscal health of our state psychiatric hospitals. NASMHPD requests that CMS give NARO's comments its full consideration.

Thank you again for the opportunity to comment on the NPRM, and we look forward to continuing to work with CMS in its ongoing efforts to implement the PPS.

Sincerely,

Andrew D. Hyman
Director of Government Relations and
Legislative Counsel

cc: Michael F. Hogan, Ph.D., NASMHPD President
Robert W. Glover, Ph.D., NASMHPD Executive Director

[*] New Freedom Commission on Mental Health, *Achieving the Promise: Transforming Mental Health Care in America. Final Report.* DHHS Pub. No. SMA-03-3832. Rockville, MD: 2003. Page 77.