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October 10, 2006

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Leslie Norwalk, Acting Administrator  
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-1506-P

Subject: Partial Hospitalization

Dear Ms. Norwalk:

The National Association of State Mental Health Program Directors (NASMHPD) appreciates the opportunity to comment on the Notice of Proposed Rulemaking (NPRM) regarding proposed payment for partial hospitalization programs (PHPs) that may be provided by a hospital to its outpatients or by a community mental health center (CMHC).

NASMHPD represents the \$26 billion public mental health service delivery systems serving 6.1 million people annually in all 50 states, four territories, and the District of Columbia. It is the only national association to represent state mental health commissioners/directors and their agencies. In addition, NASMHPD has an affiliation with the approximately 220 state psychiatric hospitals. 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 and psychiatric units in general hospitals but are often cared for successfully on an outpatient basis.

NASMHPD commends the Centers for Medicare and Medicaid Services (CMS) for its long term efforts to structure a Medicare payment system that identifies the actual cost of providing services and pays for those services on a fair and equitable basis. The recent average 4 percent increase for inpatient psychiatric services is one example of bringing rates more into line with the true cost of providing services by taking into account changes in the costs of goods and services that have occurred over time.

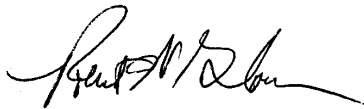
On the other hand, the proposed decreases in payment for partial hospitalization programs (PHPs) does not in our view reflect the actual changes in the cost of

providing these services and could jeopardize their availability. Medicare payment policy should *create incentives for the highest quality of care to be delivered in the most appropriate and cost effective setting*. Partial hospitalization programs offer an excellent option for those individuals who do not require the level of intensity provided in an inpatient setting but need an array of services that are most efficiently and effectively provided in a partial hospitalization program. Partial hospitalization programs provide continuity of care for individuals being discharged from the hospital and also allow for shorter stays in the inpatient setting. Additionally, PHPs provide a cost effective alternative to inpatient hospitalization.

The multi-year decreases in payment for PHPs have already resulted in the closing of numerous community mental health center programs, placing additional stress on the overloaded inpatient hospital system. If the proposed 15 percent reduction in reimbursement for CY 2007 is adopted, it will have a devastating impact on PHPs and the other acute care providers such as emergency departments that will experience increased demand.

NASMHPD strongly opposes these proposed cuts at a time when there is a deficit in acute care inpatient services of crisis proportions and encourages CMS to consider a positive update for CY 2007. We recommend that CMS convene a representative group of mental health providers and other experts to examine the current payment methodology and recommend improvements that ensure the availability of high-quality services at the most appropriate and cost effective level of care.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert W. Glover". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert W. Glover, Ph.D.  
Executive Director

Cc: Eric B. Broderick, D.D.S., M.P.H, A. Kathryn Power, M.Ed., SAMHSA