SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1258

SPONSOR: Committee on Children and Families and Senator Mitchell

SUBJECT: Behavioral Health Services

DATE: March 23, 2001 REVISED: _____ _____ _____ _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Barnes	Whiddon	CF	Favorable/CS
2.			HC	
3.			AHS	
4.			AP	
5.				
6.				

I. Summary:

Committee Substitute for Senate Bill 1258 creates two service delivery strategies to allow the Department of Children and Family Services (department) and the Agency for Health Care Administration (agency) to contract with the same managing entity in each of two geographic locations to design and develop a complementary system of mental health and substance abuse (behavioral health) care for persons with emotional, mental, or addictive disorders. One service delivery strategy permits the department to contract with one of the two Medicaid prepaid mental health plans. The second strategy requires that the department and agency competitively procure the management services of a single entity that will be accountable for behavioral health services for children, adolescents, and adults that are funded under Medicaid program and under the department. It is the goal of both strategies to improve quality of care, access to treatment, continuity of care, and to contain costs.

The bill directs the department to contract with an independent entity to conduct a formative evaluation of each strategy identifying the most effective methods and techniques used to manage, integrate, and deliver behavioral health services and to report every 12 months to the department, agency, Office of the Governor, and the Legislature on the status of the service delivery strategies. If the Executive Office of the Governor makes no recommendation to the Legislature to implement the service delivery strategies in other areas after 3 years of operation, the strategies are terminated and a report sent to the Legislature that explains the reasons for their termination.

CS/SB 1258 establishes a Behavioral Health Services Integration Workgroup to assess barriers to the effective and efficient integration of mental health and substance abuse services across various system and to propose solutions. The Workgroup is comprised of representatives of state

agencies with an involvement in behavioral health care services and local stakeholders such as county jails, homeless coalitions, service providers, Baker Act receiving facilities, and consumers and their families. The Workgroup must submit a report to the Governor and the Legislature by January 1, 2002, regarding the progress toward achieving their statutory purpose.

II. Present Situation:

Overview

Florida's public mental health and substance abuse (behavioral health) systems are funded primarily through legislative appropriations (general revenue and federal trust funds) to the department. The FY 1999-2000 legislative appropriation to the department for mental health and substance abuse services was approximately $462 million. In addition, Medicaid, a federal/state health insurance entitlement program administered by the Agency for Health Care Administration (agency), provides payment for certain mental health and substance abuse services to approved providers for enrolled eligible children, adolescents, and adults. The agency reports that Medicaid expenditures for community mental health and substance abuse services for FY 1999-2000 was approximately $230 million.

Community-based mental health and substance abuse services are administered by the Mental Health Program Office, the Substance Abuse Program Office and 15 district offices within the department. Services are delivered by private nonprofit service providers under contract with each district mental health and substance abuse office. Local governments provide matching funds for a portion of the budget. The department contracts with 280 private for-profit and not-for-profit providers (mental health centers, substance abuse treatment and prevention centers, public and private psychiatric hospitals, and private mental health professionals) that deliver a variety of services. The department currently uses a fee-for-service method of payment to its contract service providers.

Medicaid reimburses for behavioral health services through a variety of mechanisms. Fee-for-service is a process by which providers bill Medicaid for eligible services provided to Medicaid recipients. To bill for community mental health services, providers must either have a contract or rate agreement with the mental health program in the department's district office. Medicaid pays a fixed rate for the particular service that is provided. Medicaid has also begun to implement managed care strategies, using prospective payments for behavioral health services.

The agency obtained a 1915B waiver from Health Care Financing Administration that has allowed them to implement a capitated financing strategy in Districts 6 and 14 as a demonstration project that puts managed care entities at risk for the provision of mental health services of Medicaid recipients. In this demonstration site, Medicaid recipients who select Medicaid's MediPass program for the delivery of their health care services have their mental health and substance abuse needs provided for through a prepaid mental health plan. Providers within that plan are paid a per member per month capitated rate based on the age and eligibility category for the enrollees assigned to their geographic area. For that fee, providers must provide for all of the enrollee's mental health services, with the exception of medications which are still reimbursed on a fee for service basis. The prepaid plan will soon be operational in District 1 pursuant to ch. 2000-277, L.O. F., and substance abuse services are being added to the benefit

structure in these capitated plans effective January 1, 2001. The prepaid mental health plan has been evaluated by the Louis de la Parte Florida Mental Health Institute and based on their May 2000 report, the cost containment objectives of the plan have been met.

Florida Commission on Mental Health and Substance Abuse

The Florida Commission on Mental Health and Substance Abuse was created in 1999 pursuant to ch. 99-396, L. O. F., to conduct a systematic review of the state's mental health and substance abuse system. The Commission was asked to make recommendations in areas including planning, service strategies, funding, accountability, emergency behavioral health services, and the unique needs of older persons. The Commission report includes findings such as:

- The state of the science in both mental health and substance abuse has improved dramatically during the last 20 years as evidenced by the proven techniques to successfully treat most mental and addictive disorders. However, Florida's practices lag behind in both the treatment of these disorders and in the service system design. The organization, financing, and management structures do not comport with our knowledge and the efficiency and effectiveness of the overall system need improving.
- Based on current information management systems, it can be reasonably estimated that only about 20 percent of all children and adults with the need for mental health and substance abuse services receive treatment from providers under contract with the department. It is not possible to estimate the percentage of the state's population in need of services who are served by other state agency service providers. The Commission's research indicated that within Florida jails and nursing homes, about 1 in 4 persons in need of treatment receives services from at least one non-department provider.
- Persons with severe disorders who are served in the traditional mental health and substance abuse systems often have difficulty obtaining the support and rehabilitative services such as housing and transportation needed to recover. Restrictions of the system include categorical funding and barriers to service access and continuity of care. It is difficult to hold agencies and service providers accountable for client outcomes when there are inadequate resources to meet the complicated needs of persons with significant disability due to mental and addictive disorders.
- Each of the state agencies serving people with mental and addictive disorders has planning, quality assurance and accountability functions. There is no governmental entity responsible for state strategy, policy and leadership across the combined system in mental health as exists in substance abuse through the Office of Drug Control.
- Mental health and substance abuse services are fragmented, uncoordinated and ineffective in many Florida communities across health, human services, educational, and correctional settings.
- The data needed to make important treatment, funding, and other policy decisions are either unavailable or cannot be integrated to the degree necessary to understand the full impact of the current mental health and substance abuse systems.

The Commission made several recommendations to improve the mental health and substance abuse systems in Florida. The Commission recommends that the department be provided with the management and purchasing tools needed to fulfill its statutory missions. The department should be charged by the Legislature to assure an accountable system of mental health and

substance abuse services through the establishment of local management entities and local advisory groups to organize and manage local service delivery systems. The Commission also recommended better integration of mental health and substance abuse services among all community-based systems to facilitate the recovery of persons with the disabling illnesses, disseminating state of the art approaches to treatment, and devising performance management systems that promote the use of effective treatment, support and rehabilitative technologies within local service contracts.

The Commission believes that a statewide coordinating council should be created to produce a statewide strategy for mental health and substance abuse services. The Commission recommends that the council be located in the Office of the Governor, composed of leadership from across human service departments, and coordinated with the Office of Drug Control.

III. Effect of Proposed Changes:

Service Delivery Strategies

CS/SB 1258 states that the Legislature finds that a management structure establishing responsibility for mental health and substance abuse treatment services with a single entity and containing a flexible funding arrangement is more likely to result in customized mental health and substance abuse services that meet individualized client needs. The bill states that a transition period is needed in order for demonstration sites to be developed where new financing strategies can be tested and critically reviewed. The Legislature recognizes that Medicaid, mental health, and substance abuse treatment programs are three separate systems with each having unique characteristics and that careful and deliberative planning is needed in order to achieve a well integrated system of behavioral health care services.

The bill directs the department and the agency to develop two service delivery strategies that will improve the coordination, integration, and management of the delivery of mental health and substance abuse treatment services to persons with mental, emotional, or addictive disorders. At least one service delivery strategy must complement or be consistent with the closure of G. Pierce Wood Memorial Hospital in Arcadia, Florida. The bill specifies that the managing entity must manage and coordinate all publicly funded diagnostic or assessment services, acute care services, rehabilitative services, support services, and continuing care services. The managing entity may be a network of existing providers with an administrative-services organization that can function independently, an independent administrative services organization, or an entity of state or local government.

The bill requires that under one service delivery strategy, the department may contract with a provider currently operating under the Medicaid prepaid mental health plan pursuant to s. 409.912, F.S. The authority for the department to contract with this entity will add several desirable but currently absent dimensions to the department's capacity to maximize the value of its expenditures for behavioral health care. These improvements include the implementation and oversight of clinical guidelines to ensure best practices, utilization management to ensure appropriate access and that the right service is given in the right amount, and the credentialing of providers and improved quality of care monitoring. This arrangement will also improve the capacity to coordinate Medicaid and departmental expenditures and services. The department is

also given the authority to contract with the managing entity on a prospective payment basis. This will provide the department with the opportunity to pass along financial risk and extend to providers a much-needed level of clinical flexibility which does not currently exist under a fee-for-service funding method. The department reports that an actuarial study will be necessary before the department can undertake this purchasing methodology.

Under the second service delivery strategy, the department and the agency must competitively procure a contract for the management of behavioral health services with a managing entity that will improve quality of care and contain costs. By having a single managing entity responsible for all state behavioral health funding, new elements of clinical management will be introduced including credentialing of providers, promulgation of clinical care and access criteria, utilization management of high cost units, improved outcome data, quality of care improvement and data management. These functions do not currently exist on a system-wide basis. This bill will also provide for better coordination of Medicaid and departmental resources for mental health and substance abuse. The management entity should forge stronger linkages between the public mental health system and related systems such as jails, courts and child welfare.

The bill proposes that the agency and department utilize methods that will simplify billing and enhance clinical flexibility. Methods specified in the bill for both strategies include using benefit packages based on the level of severity of illness and level of client functioning; aligning and integrating procedure codes, standards, or other requirements to simplify or improve client services and efficiencies in service delivery; using prepaid per capita and prepaid aggregate fixed-sum payment methodologies; and modifying current procedure codes to increase clinical flexibility, encourage the use of the most effective interventions, and support rehabilitative activities.

The agency and department will jointly fund the administrative services organization from current service funds, which will be offset by greater efficiencies in utilization. The bill states that to operate the managing entity, the department and the agency may not expend more than 10 percent of the annual appropriations for mental health and substance abuse services prorated to the geographic areas including all behavioral health Medicaid funds including psychiatric inpatient funds. By using a single managing entity in these areas there will be a definite point of accountability for all state purchased behavioral health care. A single point of accountability would help prevent duplication of services and help insure that the right amount and type of services are delivered. The department and the agency would establish benchmarks to ensure that cost shifting does not occur to the state hospitals, the department or the criminal justice system. The department and the agency would ensure that the network includes enough providers or programs to allow the consumer adequate choice.

The bill specifies goals for the service delivery strategies that include: improving accountability for a local system of behavioral health care services; assuring continuity of care for the target population; providing early diagnosis and treatment interventions to enhance recovery; improving quality of care through best practice models; improving service integration between behavioral health services and other systems such as vocational rehabilitation, child welfare, criminal justice, primary health care, and emergency services; providing for testing of creative and flexible financing strategies; coordinating the admissions and discharges from state mental

health hospitals and residential treatment centers; and promoting specialized behavioral health services to residents of assisted living facilities.

For both service delivery strategies, the bill defines the target population and specifies requirements for the continuing care system, local advisory body, written cooperative agreements with local agencies, and performance expectations of the managing entities.

The bill requires that the department prepare an amendment by October 31, 2001, to the 2001 master state plan describing certain details of each service delivery strategy.

The department is directed to contract with an independent entity to conduct a formative evaluation of each strategy identifying the most effective methods and techniques used to manage, integrate, and deliver behavioral health services. The entity conducting the evaluation must report every 12 months to the department, agency, Office of the Governor, and the Legislature on the status of the service delivery strategies. Prior to making any changes in the design of the strategies and prior to implementing the strategies in other areas of the state, the Office of the Governor must consult with the appropriate legislative committees. If after 3 years of operating, the Executive Office of the Governor makes no recommendation to the Legislature to implement the service delivery strategies in other areas, the strategies shall be terminated and a report sent to the Legislature that explains the reasons for their termination.

Behavioral Health Services Integration Workgroup

CS/SB 1258 establishes a Behavioral Health Services Integration Workgroup to assess barriers to the effective and efficient integration of mental health and substance abuse services across various systems and to propose solutions. The Workgroup is comprised of representatives of state agencies which includes Juvenile Justice, Corrections, Education, Office of Drug Policy, Agency for Health Care Administration and representatives of local stakeholders such as the county jails, homeless coalitions, service providers, Baker Act receiving facilities, and consumers and their families. The department may transfer up to $200,000 under the authority of ch. 216, F.S., to support the Behavioral Health Services Integration Workgroup. The Workgroup must submit a report to the Governor and the Legislature by January 1, 2002, regarding the progress toward achieving their statutory purpose.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The funding flexibility associated with the service delivery strategies will allow service providers to design behavioral health services to meet the individual needs of clients rather than services being driven by funding categories. Funding efficiencies should improve quality of services, broaden the array of services, and increase service capacity.

C. Government Sector Impact:

CS/SB 1258 specifies that to operate the managing entity, the department and the agency may not expend more than 10 percent of the annual appropriations for mental health and substance abuse services prorated to the geographic areas including all behavioral health Medicaid funds.

The bill states that the department may transfer up to $200,000 under the authority of ch. 216, F.S., to support the Behavioral Health Services Integration Workgroup.

The department and the agency report that the following resources will be needed to implement the provisions of SB 1258 for FY 2001-02:

- Professional Consultation to assist in the development of the strategies (examples of work include organizational design of managing entities, historical actuarial analysis for services, document for procurement of services, and implementation of entities). $90,000

- Independent Evaluation of Management Entities. $100,000

- Agency and Department staffing (2 FTEs funded for 9 months) for waiver development and oversight (34 percent of these costs can be allocated to Medicaid Trust Fund). $112,718

Summary

Service Delivery Strategies	**$302,718**
Total Costs for FY 2001-02	**$302,718**

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.