

The Florida Senate
PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Health Policy Committee

BILL: SB 1690

INTRODUCER: Senator Rich

SUBJECT: Medicaid Provider Service Networks

DATE: April 5, 2007

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Garner	Wilson	HP	Favorable
2.			CF	
3.			HA	
4.				
5.				
6.				

I. Summary:

The bill establishes Medicaid specialty provider service networks (PSNs) for persons with psychiatric disabilities. The bill requires the Agency for Health Care Administration (AHCA or agency) to seek applications for these specialty PSNs and authorizes the agency to contract with these networks. In the regular Medicaid program, persons with psychiatric disabilities who are required but fail to enroll in a managed care plan must be assigned to a specialty PSN if one is approved in their geographic area.

The bill also requires the agency to develop and implement a service delivery alternative (specialty PSNs) for persons with psychiatric disabilities within capitated managed care plans in the Medicaid reform pilot areas. The bill prohibits the AHCA from enrolling beneficiaries in Medicaid reform plans in any geographic area where an application for a specialty PSN that serves persons with psychiatric disabilities is being considered, until such PSN is available as a choice to beneficiaries.

The bill requires that an open enrollment period be offered to persons with psychiatric disabilities when a specialty PSN becomes available in their geographic area. It also allows the risk-adjusted capitation rates for a specialty PSN to be excluded from the application of risk corridors established for Medicaid reform plans.

This bill amends ss. 409.912 and 409.91211, F.S.

II. Present Situation:

Incidence of Severe Mental Illness

There are no standard definitions of mental illness. According to the U.S. Department of Health and Human Services, “mental illness” is a term that refers collectively to all diagnosable mental disorders. Mental disorders are health conditions that are characterized by alterations in thinking, mood, or behavior (or some combination thereof) associated with distress and/or impaired functioning.¹

Within this broad framework, some individuals are diagnosed with severe mental illnesses (SMI). Severe mental illnesses have several common features including:²

- Disorders with psychotic features (e.g., schizophrenia, bipolar illness, etc.);
- Histories often significant for hospitalization and/or maintenance medication;
- Functional impairment present; and,
- Impairment not due to the neuropsychiatric manifestations of HIV infection.

It is estimated that 5.5 percent of Florida adults have an SMI - 574,995 adults between the ages of 18 and 64 in 2006. Adults over the age of 18 with a severe and persistent mental illness equal more than 104,544 individuals (1 percent of the total population in the age group according to the U.S. Census projections for 2006).³

The Florida Mental Health Institute at the University of South Florida conducted a data run of the FY 2003-04 Medicaid eligibility file in order to estimate the proportion of Medicaid beneficiaries diagnosed with an SMI or severe emotional disturbance (SED). Based on this data run, the institute estimated that 4.85 percent of the total Medicaid population has an SMI or SED. Applying this percentage to FY 2007-08 unduplicated Medicaid eligibles would yield the following:⁴

Total Medicaid eligibles = 2,069,794

Total SED and SMI eligibles (4.85% of total population) = 100,385⁵

¹ *Mental Health: A Report to the Surgeon General*. U.S. Health and Human Services.

<http://mentalhealth.samhsa.gov/features/surgeongeneralreport/chapter1/sec1.asp> (last visited on April 5, 2007)

² American Psychiatric Association. <http://www.psych.org/aids/modules/illness/sld005.htm> (last visited on April 5, 2007)

³ Incidence rates were derived from the following report

<http://www.fcmh.org/content/1/File/NAMI%20State%20of%20MH%20Services%20in%20Fla..pdf> (last visited on April 5, 2007) and were applied to the most recent census figures derived from

http://factfinder.census.gov/servlet/ACSSAFFacts?_event=&geo_id=04000US12&_geoContext=01000US%7C04000US12&_street=&_county=&_cityTown=&_state=04000US12&_zip=&_lang=en&_sse=on&ActiveGeoDiv=&_useEV=&pctxt=fp&_pgsl=040&_submenuId=factsheet_1&_ds_name=null&_ci_nbr=null&_qr_name=null&_reg=null%3Anull&_keyword=&_industry= (last visited on April 5, 2007)

⁴ <http://edr.state.fl.us/conferences/medicaid/medcases.pdf> (last visited on April 5, 2007)

⁵ Not all of these individuals would be eligible for participation in a Medicaid managed care plan.

The Florida Medicaid Program

Florida's Medicaid Program is jointly funded by the federal, state, and county governments to provide medical care to eligible individuals. Florida implemented its Medicaid program on January 1, 1970, to provide medical services to indigent people. The AHCA is the single state agency responsible for the Florida Medicaid Program. The statutory provisions for the Medicaid program appear in ss. 409.901 through 409.9205, F.S.

Some Medicaid services are mandatory services that must be covered by any state participating in the Medicaid program pursuant to federal law.⁶ Other services are optional. A state may choose to include optional services in its state Medicaid plan, but if included, such services must be offered to all individuals statewide who meet Medicaid eligibility criteria as though they are mandatory benefits.⁷ Payments for services to individuals in the optional categories are subject to the availability of monies and any limitations established by the General Appropriations Act or chapter 216, Florida Statutes.

For FY 2006-07, the Florida Medicaid Program is estimated to cover 2.1 million people⁸ at a cost of \$14.6 billion.⁹

Florida Medicaid Reform

On January 11, 2005, Governor Bush released a Medicaid reform proposal (originally called Empowered Care) for consideration by the Legislature. The proposal was based on data at the time demonstrating that the Medicaid budget was growing at an unsustainable rate and that a comprehensive overhaul of the system was necessary to improve care and provide predictability in the state Medicaid budget.

The Governor's proposal centered on the concept of moving Medicaid recipients out of the current fee-for-service system into a mostly managed care environment. In this new system, managed care plans (including traditional Medicaid HMOs and new provider service networks) will receive actuarially-sound, risk-adjusted capitation rates to provide all mandatory and optional services to Medicaid recipients.

The Legislature passed a Medicaid reform law in CS/CS/SB 838 (ch. 2005-133, L.O.F.). The provisions of the final bill offered opportunities to improve the current Medicaid program, while continuing a deliberative review of more comprehensive reform initiatives.

Provider Service Networks

The Florida Medicaid program continually works to limit increases in the cost of medical care in the program, often through the use of managed care. A PSN is an integrated health care delivery system owned and operated by Florida hospitals and physician groups. The PSN is a Medicaid

⁶ These mandatory services are codified in s. 409.905, F.S.

⁷ Optional services covered under the Florida Medicaid program are found in s. 409.906, F.S.

⁸ <http://edr.state.fl.us/conferences/medicaid/medcases.pdf> (last visited on April 5, 2007)

⁹ <http://edr.state.fl.us/conferences/medicaid/medhistory.pdf> (last visited on April 5, 2007)

managed care option for Medicaid recipients, along with HMOs, MediPass, and the Children's Medical Services Network.

In Florida, the PSN component of Medicaid started as a demonstration project in 2002, based on a model in which a provider organization, or network of organizations, provides care to a defined population and also agrees to perform associated "insurance" functions, such as enrollee services, provider credentialing, claims processing, and quality assurance. The concept is built on an assumption that health care costs can be contained when money flows directly from payer to provider, removing the insurance "middle man" from the transaction.¹⁰

Florida's PSN program uses a fee-for-service approach, with established payment limits and a linkage between payments and quality of care on a series of performance indicators. Additionally, the pilot program required implementation of disease state management programs in order to control costs and enhance outcomes for those patients with predictably expensive conditions.

Under Medicaid reform, PSNs are allowed to participate alongside HMOs in the pilot counties (Baker, Broward, Clay, Duval, and Nassau Counties). The reform statute (s. 409.91211, F.S.) allows PSNs to bill fee-for-service for three years, but then must transition to the same risk-adjusted capitation arrangements that apply to the HMOs.

Eligible Medicaid beneficiaries in the reform pilot counties may choose among any managed care plans in their county. Certain individuals were excluded from mandatory participation in Medicaid reform until service delivery alternatives were developed in the reform areas. These individuals include children with chronic medical conditions, children in foster care, and persons with developmental disabilities.

III. Effect of Proposed Changes:

Section 1. Amends s. 409.912, F.S., requiring the AHCA to seek applications for, and authorizing the AHCA to contract with, specialty PSNs that exclusively enroll Medicaid beneficiaries with psychiatric disabilities. Persons with these conditions who are required but fail to select a Medicaid managed care plan shall be assigned to the specialty PSN in those areas where such PSNs are available. Beneficiaries with diagnoses of psychiatric disabilities, or who are served by a Medicaid-enrolled community mental health agency, or who voluntarily choose the specialty PSN are presumed to meet the plan enrollment criteria.

Section 2. Amends s. 409.91211, F.S., modifying the eligibility assignment process for beneficiaries with psychiatric disabilities who reside in the Medicaid reform pilot areas to prohibit enrollment in Medicaid reform plans in any geographic area where an application for a specialty PSN that serves persons with psychiatric disabilities is being considered, until such PSN is available as a choice to beneficiaries. For purposes of this section, a "specialty provider service network" or "specialty managed care plan" means a provider service or managed care plan that limits plan enrollment to individuals with specific diagnoses. The bill requires the

¹⁰ Agency of Health Care Administration.

http://www.fdhc.state.fl.us/Medicaid/quality_management/mrp/Projects/psn/index.shtml (last visited on April 5, 2007)

agency to develop and implement a service delivery alternative within capitated managed care plans to provide Medicaid services as specified in ss. 409.905 and 409.906, F.S, for persons with psychiatric disabilities sufficient to meet the medical, developmental, and emotional needs of those persons. The bill requires the agency to consider the extent to which a beneficiary has a psychiatric disability when assigning the person to a managed care plan if they do not choose upon enrollment. An open enrollment period must be offered to persons with psychiatric disabilities when a specialty PSN becomes available in their geographic area. The bill allows the risk-adjusted capitation rates for a specialty PSN to be excluded from the risk corridors established for Medicaid reform plans.

Section 3. Provides that the bill takes effect July 1, 2007.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Article I, Section 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill specifies that risk-adjusted capitation rates for specialty PSNs that serve persons with psychiatric disabilities “may be adjusted by percentages other than those provided in this subsection because of the disproportionate enrollment of individuals with psychiatric disabilities in a specialty provider service network or specialty managed care plan.” This essentially exempts these PSNs from the “risk corridors” that are used to minimize extreme fluctuations in the risk-adjusted capitation rates.

Since these PSN will likely have very expensive enrollees, removing the application of risk corridors to their rates would mean that they will likely receive much higher capitation rates than other managed care plans, which ultimately would increase costs in the Medicaid program relative to what would be spent if risk corridors still applied to the specialty plans. The additional cost to Medicaid is indeterminate at this time.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The bill establishes specialty PSNs for persons with psychiatric disabilities. The term “psychiatric disability” is not defined in the bill. An Internet search for the term found that “psychiatric disability” is used when mental illness significantly interferes with the performance of major life activities, such as learning, thinking, communicating, and sleeping, among others.

The bill is not specific about which severe mental illnesses and serious emotional disturbances would qualify under the “diagnostic criteria” a beneficiary must meet to be eligible to participate in a specialty PSN. According to advocates of the bill, they recommend following the guidelines used by the Florida Medicaid Community Behavioral Health Program to reimburse services provided by community behavioral health providers for the treatment of mental health or substance abuse. These guidelines include, but are not limited to, diagnosis codes from the following list of ICD-9 codes: 295.1 through 295.9 (schizophrenia codes); 296.0 through 296.9 (manic, depressive, and bipolar codes); 297.1 (delusional disorder); 297.3, 298.8, 298.9 (psychosis); 312.8 and 312.9 (conduct disorder); 313.8 (other emotional disturbance); and all 314 (Attention Deficit/Hyperactive Disorder).

VIII. Summary of Amendments:

None.

This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
