

State of Alaska FY2008 Governor's Operating Budget

Department of Health and Social Services Behavioral Health Medicaid Services Component Budget Summary

Component: Behavioral Health Medicaid Services

Contribution to Department's Mission

The mission of the Behavioral Health Medicaid Services component is to maintain availability of behavioral health services to individuals with a mental disorder or illness and/or a substance abuse disorder.

Core Services

Funds support mental health treatment and substance abuse intervention and treatment services for Medicaid eligible youth and adults.

The Medicaid program is a jointly funded, cooperative entitlement program between federal and state governments to assist in the provision of adequate and competent medical care to eligible needy persons. The State Children's Health Insurance Program (SCHIP), operated through Denali KidCare, is an expansion of Medicaid which provides health insurance for uninsured children whose families earn too much to qualify for Medicaid, but not enough to afford private coverage.

Mental Health Clinic Services are provided to children and adults who have been identified through an assessment as emotionally disturbed. Behavioral health clinic services include crisis intervention; family, individual, or group psychotherapy; intake and psychiatric assessment; psychological testing and medication management. Clinic services are provided by state-approved outpatient community mental health clinics and mental health physician clinics.

Mental Health Rehabilitation Services are provided to children and adults identified through an assessment as a severely emotionally disturbed child, or as a severely emotionally disturbed or chronically mentally ill adult. Mental health rehabilitation services when provided in combination with other services are expected to reasonably increase the recipient's ability to function in their home, school, or community. Services include evaluation; individual, family and group skill development; recipient support services; medication administration and case management. Mental health rehabilitation services are provided by state-approved outpatient community mental health clinics.

Substance Abuse Rehabilitation Services are provided to recipients with an identified need for substance abuse services. Substance abuse services include assessment and diagnosis; outpatient services or intensive outpatient services consisting of counseling, care coordination and rehabilitation treatment; intermediate services provided to patients requiring a structured residential program; medical services directly related to substance abuse; and detoxification. Substance abuse rehabilitation services are provided by state-approved programs.

Behavioral Rehabilitation Services are intervention and stabilization services provided to severely emotionally disturbed children to help them acquire essential coping skills and to remediate debilitating psycho-social, emotional and behavioral disorders. Services include crisis counseling, milieu therapy, supportive counseling, skills training, and case management. Services may be provided in residential care, therapeutic foster care, or therapeutic group home settings that are state-approved.

Inpatient Psychiatric Facility Services are provided to severely emotionally disturbed children under 21 years of age in an inpatient psychiatric hospital facility or a residential psychiatric treatment center. Services must be based on the recommendation of an interdisciplinary team, prior authorized by the department, and provided under the direction of a psychiatrist.

FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$179,221,800	Personnel:	
	Full time	0
	Part time	0
	Total	0

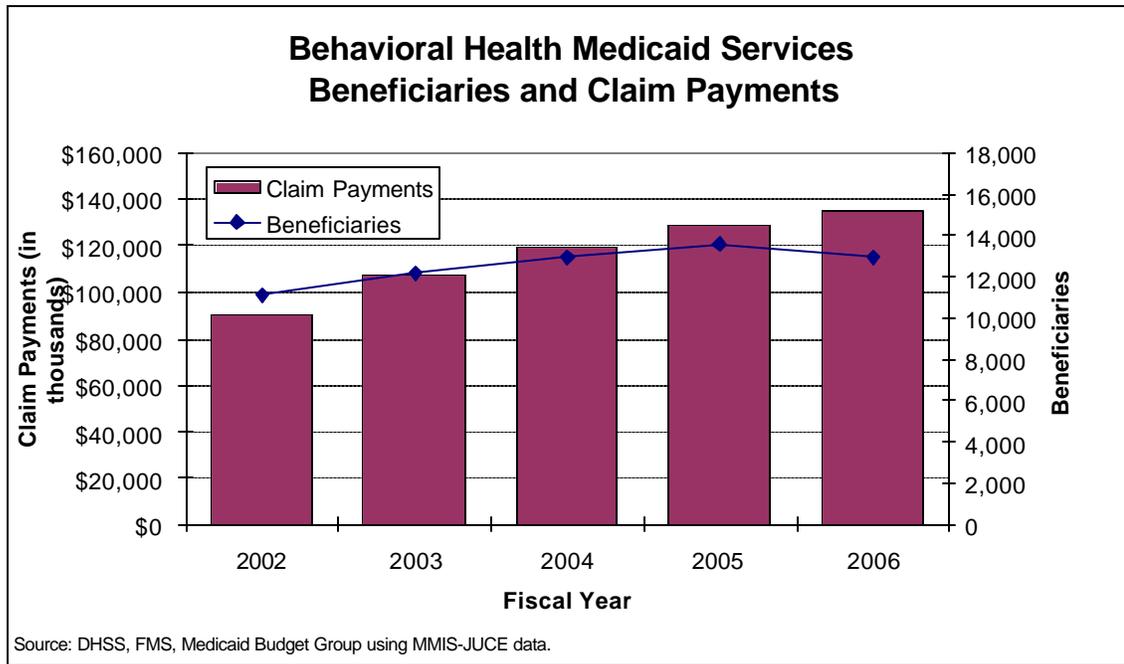
Key Component Challenges

- One of the high Medicaid cost categories is providing services to severely emotionally disturbed youth who are sent to out-of-state residential psychiatric treatment centers (RPTC). Initial analysis indicates that children are being sent out of state due to complex treatment needs that are not available locally, limited community-based options, or an insufficient number of in-state RPTC beds. Additionally, the young people frequently remain in out-of-state residential facilities longer than those served in state due to their complex problems and because it is difficult to develop a plan to bring them home to lower levels of care. In FY08 the division will continue efforts to increase the number of available beds in state, expanding community-based options, and improving the systems that facilitate the step down in service intensity when clinically appropriate. As a result of children remaining in state, families will be able to participate to a greater extent in their child's recovery and the need for future services will be reduced.
- The State Children's Health Insurance Program (SCHIP) is facing a funding crisis. SCHIP is a part of Alaska's Medicaid program operated through Denali Kid Care. As with Medicaid, the federal and state governments jointly fund SCHIP but the FMAP is higher. The total amount of federal funds available for SCHIP at the enhanced FMAP rate is capped. Once the allotment is exhausted, claims are reimbursed at the regular FMAP instead of the enhanced FMAP. Alaska will have only 41% of the federal SCHIP funding needed to cover program expenditures in 2008. Behavioral Health Medicaid's share of costs will increase by \$1,305.0 GF.
- In order to provide affordable access to quality health care services to eligible Alaskans, a sufficient supply of providers must be enrolled in Medicaid. A strategy to maintain provider participation is for provider reimbursement rates to keep pace with health care costs. Since provider participation in Medicaid is voluntary, if Medicaid's rates are too low, providers may stop seeing Medicaid clients. In FY08 there are several budget proposals to increase rates.
- By regulation, payment rates for most facilities must be recalculated at least every four years [7 AAC 43.685(a)(6)(B)]. Facilities were last re-based in FY04. For Behavioral Health Medicaid, this means that inpatient psychiatric hospital payment rates for FY08 will be adjusted. The new rate for each facility will become effective at the start of that facility's 2008 fiscal cycle. The Department estimates that the average adjustment will be 8%. Almost 41% of payments for inpatient psychiatric hospital services will be impacted by re-based rates in FY08. The additional cost to Medicaid from re-basing in FY08 will be \$707.4 (\$323.5 GF and \$383.9 Fed).
- Alaska Native Tribal organizations have asked the department to consider changing the reimbursement methodologies available to Tribal providers. The new methodology would reimburse Tribal behavioral health providers at the Indian Health Services outpatient hospital encounter rate. This provides improved financial stability allowing Tribal organizations to expand the volume and scope of behavioral health services offered. Because Tribal services are 100% matched with federal funding, no GF increment is requested. The more Medicaid services are provided to beneficiaries in Tribal facilities, the more Alaska saves limited state general funds by insuring the federal government meets its trust responsibility to those beneficiaries. The cost to Behavioral Health Medicaid for outpatient behavioral health services will increase by \$15,000.0 (0 GF/15,000.0 Fed) in FY08.
- Behavioral Health increased per diem rates for in-state residential psychiatric treatment services (RPTC) effective July 1, 2006 after the department's Office of Rate Review completed a rate study and recommended the new rates. Additional funding in FY08 is required because the rate increase is not included in the base budget. The department, in cooperation with providers and other system stakeholders, has identified the following barriers to access to care: the current reimbursement rates do not provide the necessary incentive for providers to accept and treat our most difficult children and adolescents; the current RPTC reimbursement rates are insufficient to

cover the cost of care; and some providers have closed their programs due to insolvency. The division estimates that it will need an additional \$1,400.0 (654.9 GF/745.1 Fed) in FY08.

Significant Changes in Results to be Delivered in FY2008

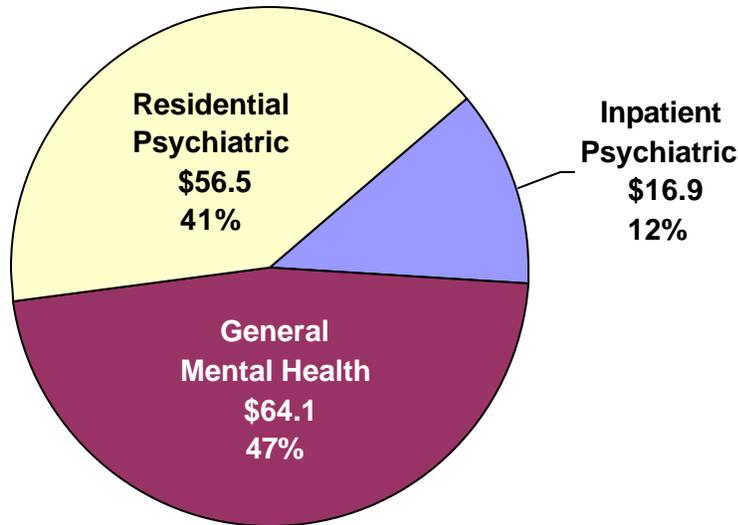
- Expenditures in FY08 for Behavioral Health Medicaid Services are projected to grow \$7,042.9 (2,446.2 GF/3,696.7 Fed/900.0 SDPR), a 4% increase over the authorized amount of \$155,071.5. While the department anticipates that the Bring the Kids Home initiative will begin to slow the growth in these areas, the requested increment is necessary to support expected increases in utilization of outpatient services that treat this population in their home communities.



Major Component Accomplishments in 2006

- In FY06 Behavioral Health Medicaid provided services to nearly 13,000 beneficiaries at an average cost of \$867 per person per month. The Behavioral Health Medicaid Services component funds three types of services: inpatient psychiatric hospitals, residential psychiatric treatment centers, and outpatient behavioral health services.
- Behavioral Health Medicaid claims grew 9% from FY04 to FY05, but only 4% from FY05 to FY06. The projection for FY08 is to maintain the same 4% growth rate.
- Residential psychiatric treatment centers, which had been the fastest growing segment in recent years, experienced the least growth of the three service categories between FY05 and FY06, increasing only 2%. Most of the increase can be attributed to general mental health services which comprise about half of the claims and which experienced a 6% increase from FY05 to FY06. Inpatient psychiatric hospital services grew 10% from the prior year, making it the fastest growing segment in the component.

**Behavioral Health Medicaid Services
Claim Payments in Millions by Category, SFY 2006**



Source: DHSS, FMS, Medicaid Budget Group using AKSAS data.

Statutory and Regulatory Authority

AS 47.07 Medical Assistance for Needy Persons
AS 47.25 Public Assistance

Administrative Code;
7 AAC 43 Medicaid

Social Security Act:
Title XIX Medicaid
Title XVII Medicare
Title XXI Children's Health Insurance Program

Code of Federal Regulations:
42 CFR Part 400 to End

Contact Information

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Behavioral Health Medicaid Services Component Financial Summary

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Services	0.0	1,620.0	1,620.0
74000 Commodities	0.0	0.0	0.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	137,508.3	153,451.5	177,601.8
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	137,508.3	155,071.5	179,221.8
Funding Sources:			
1002 Federal Receipts	81,455.6	92,417.2	110,937.9
1003 General Fund Match	29,468.8	30,498.2	31,803.2
1004 General Fund Receipts	0.0	0.0	3,424.6
1037 General Fund / Mental Health	25,083.9	30,656.1	30,656.1
1108 Statutory Designated Program Receipts	0.0	0.0	900.0
1180 Alcohol & Other Drug Abuse Treatment & Prevention Fund	1,500.0	1,500.0	1,500.0
Funding Totals	137,508.3	155,071.5	179,221.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	81,455.6	92,417.2	110,937.9
Statutory Designated Program Receipts	51063	0.0	0.0	900.0
Restricted Total		81,455.6	92,417.2	111,837.9
Total Estimated Revenues		81,455.6	92,417.2	111,837.9

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	61,154.3	92,417.2	1,500.0	155,071.5
Adjustments which will continue current level of service:				
-FFY08 Medicaid SCHIP Allotment Shortfall	1,305.0	-1,305.0	0.0	0.0
Proposed budget increases:				
-Increase Medicaid Tribal Mental Health Services Federal Authorization	0.0	15,000.0	0.0	15,000.0
-Increase Residential Psychiatric Treatment Center In-state Provider Medicaid Rates	654.9	745.1	0.0	1,400.0
-FY08 Projected Medicaid Growth	2,446.2	3,696.7	900.0	7,042.9
-Medicaid Facility Rates Rebased - Inpatient Psychiatric Hospital	323.5	383.9	0.0	707.4
FY2008 Governor	65,883.9	110,937.9	2,400.0	179,221.8