DEPARTMENT OF HUMAN SERVICES

Legislative Report

Study of Mental Health Reimbursement

Behavioral Health Division

October 2018

For more information contact:

Minnesota Department of Human Services
Behavioral Health Division
P.O. Box 64981
St. Paul, MN 55101
651-431-2460

For accessible formats of this information or assistance with additional equal access to human services, write to X@X.X, call XXX-XXX-XXXX, or use your preferred relay service. ADA1 (2-18)

Minnesota Statutes, Chapter 3.197, requires the disclosure of the cost to prepare this report. The estimated cost of preparing this report is $2,000.

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I. Executive summary

Background and Purpose

The 2015 Minnesota legislature directed the Department of Human Services (DHS) to conduct a comprehensive analysis of the current rate-setting methodology for all community-based mental health services for children and adults. The purpose of this report is to review current payment methodologies for mental health services under Minnesota Health Care Programs (Medical Assistance and MinnesotaCare) and to recommend strategies to provide adequate service payments to providers in support of better health outcomes, accountability, efficiency, and best practices.

DHS contracted with Mercer, a health care consulting firm, to conduct the study and write the final report. The findings and recommendations contained in this report are informed by participating providers who submitted cost reports and engaged in interviews as well as the experience of other states.

The report found that Minnesota, like many states, has a complex set of payment rules for community mental health services that evolved over time, resulting in different reimbursement for similar services across provider types. This presents administrative burdens for both the State and its mental health providers.

Key findings and recommendations of this report include:

Finding*:* Minnesota's current medical model coding and reimbursement structure may be sufficiently reimbursing the costs of individual practitioners in solo practice, but it does not appear to be taking into consideration the totality of the cost in the more complex comprehensive rehabilitation providers. Specifically:

- Reported costs exceed reimbursement rates for the respondents
- Complexity obscures ability to make a full and accurate assessment
- Wage data underscores recruitment challenges

Recommendation: Establish reimbursement methodologies to reflect the cost of providing required elements of community-based mental health services. Mercer provided three reimbursement methodologies based on analysis of Minnesota's existing service delivery environment and its sustainability goals.

Recommendation: The Behavioral Health Division should work with the State's Medicaid division to examine the Medicaid reimbursement structure, to improve the transparency of reimbursement methodologies, and to address reimbursement deficiencies in a comprehensive manner. To better serve Medicaid recipients, the divisions of DHS should work in partnership to systematically analyze the overall Medicaid reimbursement structure.

Finding*:* Minnesota has financial tools that are being underutilized to create incentives for community mental health goals. DHS will need to ensure that the overall financial incentive structure of financing innovations sets base reimbursement rates and financial incentives that sustain community-behavioral health.

Recommendation: Build on the State's healthcare financing innovations to capitalize on recent federal commitments to efficiency and value-driven reimbursement. Specifically:

- Require managed care organizations to adopt a minimum fee schedule for mental health providers
- Develop value-based purchasing arrangements in Integrated Health Partnerships
- Link reimbursement to individual treatment outcomes

Finding: The State's ability to encourage research-based community mental health services has been undermined in part because it is not reimbursing providers for all of the required components of cost-effective practices and evidenced-based practices (EBPs).

Recommendation: Reimburse EBPs using specific reimbursement that pays for performance. Using EBP-specific rates and billing codes incents providers to deliver state-endorsed EBPs.

DHS Strategic Plan and Recommendations

Historically, mental health services have been financed by state and federal grants as well as counties and existed outside the traditional health care services and rate structure. As mental health services have moved into the Medical Assistance (MA) program benefit set, our laws have not been updated to reflect the broader rate structures that are in place within the broader health care continuum.

The Department of Human Services, on an agency-wide level is planning on conducting a comprehensive review that will support efforts to simplify the payment structures so that they are more transparent, understandable, fair, and more simple to support over time. This mental health rates study and a forthcoming study of substance use disorder treatment rates will be leveraged as part of this broader study. This larger review will help ensure rate methods are not developed in silos.

When community-based mental health services rates are reformed they must done so in a way that allows for the integration of mental health and substance use disorder services, as well as, the integration of behavioral health services with the broader health care continuum. This will allow consistency and transparency for all providers in Minnesota and allow equitable access for the people we serve.

III. Legislation

Minnesota Statutes 2015, Chapter 71, Section 39. RATE-SETTING METHODOLOGY FOR COMMUNITY-BASED MENTAL HEALTH SERVICES.

The commissioner of human services shall conduct a comprehensive analysis of the current rate-setting methodology for all community-based mental health services for children and adults. The report shall include an assessment of alternative payment structures, consistent with the intent and direction of the federal Centers for Medicare and Medicaid Services, that could provide adequate reimbursement to sustain community-based mental health services regardless of geographic location. The report shall also include recommendations for establishing pay-for-performance measures for providers delivering services consistent with evidence-based practices. In developing the report, the commissioner shall consult with stakeholders and with outside experts in Medicaid financing. The commissioner shall provide a report on the analysis to the chairs of the legislative committees with jurisdiction over health and human services finance by January 1, 2017.