RULE 79 MENTAL HEALTH CASE MANAGEMENT MEDICAL ASSISTANCE REIMBURSEMENT STUDY

REPORT TO THE LEGISLATURE

REQUIRED UNDER M.S. 245.494, SUBD. 5

PREPARED BY
MENTAL HEALTH DIVISION
MINNESOTA DEPARTMENT OF HUMAN SERVICES

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EXECUTIVE SUMMARY

The 1993 Legislature required the Department of Human Services to study Medical Assistance reimbursement for Rule 79 mental health case management for children with a severe emotional disturbance.

A. Background:

- Legislation lists issues to consider in the study, with the primary focus being potential shift of mental health case management to the new child welfare targeted case management monthly billing model which began in 10/1/93.
- The billing for Rule 79 case management has lagged well below forecasted levels since its start.
- Counties are currently required to use any additional Rule 79 MA revenue to reduce caseload size to 15:1 for children and 30:1 for adults.

B. Method of Study:

- Mental Health Division was assigned the lead for this study, but has involved other relevant parts of DHS as well as county staff and advocates in reviewing issues;
- Mental Health case management costs were examined for counties and compared to actual Medical Assistance reimbursements for MH case management.
- Current problems with MA billings as well as other barriers to case management provision were surveyed.
- The Child Welfare Targeted Case Management model of monthly bundled billing and cost-based rates was studied.

C. Findings of the Study:

- Current reimbursement rate of $30 per hour does not adequately cover county costs estimated to be $67.80 for FY 1993.
- There is a clear need for more simplified billing for Rule 79 case management. This simplification could involve converting from the current minute unit of service to larger billing units or a monthly bundled rate, subject to federal approval, such as used by Child Welfare Targeted Case Management.
- There is also a need to reduce the current 7 billing procedure codes for Rule 79 case management to simplify billing and reduce case manager's paperwork.

- The Child Welfare Targeted Case Management (CW-TCM) MA monthly billing linked to a Social Services Time study is a popular method of MA billing for counties. The billing procedures are simple and the rate setting is linked to actual costs. However, counties pay the non-federal share of the rate which serves as a cost containment mechanism for the state share of MA.

- If the CW-TCM cost-based rate setting is adopted and the state pays the non-federal share for Rule 79, there would be a large impact on the MA forecast in FY 96 and beyond. If the MA forecast is to be met for FY 96 and FY 97, some type of state cost containment either in rate reduction below costs or county share is necessary.

- Non-county providers could be covered under a system similar to CW-TCM if they were under contract to the county and their rates were linked to the rates established for counties.

D. Recommendations:

The Department has developed three options for the Legislature to consider to improve the current system of Rule 79 case management. It is recommended that whichever option is chosen for children's Rule 79 MA reimbursement also be applied to case management for adults. All options should be limited to counties and county-contracted providers (no independent providers).

- **Option 1-** Change Rule 79 to follow the same billing procedures and rate setting as Child Welfare Targeted Case Management. Use some type of county share as a cost containment mechanism.

- **Option 2-** Raise the current reimbursement rate and reduce the number of billing procedures to one or two. This option would simplify the billing procedures and increase the reimbursement rate. It would still require the counties to follow a separate billing system than for CW-TCM, however simplify the current Rule 79 billings.

- **Option 3-** Raise the current reimbursement rate above Option 2, add a county share and reduce the number of billing procedures to one or two. This option would simplify the billing procedures and increase the reimbursement rate. It would still require the counties to follow a separate billing system than for CW-TCM, however simplify the current Rule 79 billings. The increased rate could be combined with a county share to maximize federal reimbursement and address cost containment issues.

RULE 79 MENTAL HEALTH CASE MANAGEMENT
MEDICAL ASSISTANCE REIMBURSEMENT STUDY

A. BACKGROUND

The 1993 Legislature, as part of MS 245.494 Subd. 5, required the Department of Human Services to study the Medical Assistance (MA) reimbursement for Rule 79 mental health case management for children with a severe emotional disturbance. The department is also required to identify how it could increase the numbers of children receiving this service including recommendations for modifying rules or statutes to improve access to this service and to reduce barriers.

Historically, Rule 79 MA billings have been well-below forecasted levels. For FY 1993 children's Rule 79 case management MA payments were projected to be $784,000. The approved billings for FY 1993 were $493,000 or 63% of the projected total. For FY 1993 it was also projected that there would be a monthly average of 540 children receiving MA Rule 79 services. In FY 93 there was a monthly average of 305 children or 56% of the projected total who actually received MA reimbursed Rule 79 case management.

One concern raised by the legislature was the low participation rate in MA billing for Rule 79 case management. The legislation partially links this problem to MA reimbursement for the Child Welfare Targeted Case Management (CW-TCM) which became effective in October 1993. A child may receive CW-TCM services if the child is in the target group and in need of services as defined in statute. M.S. 256B.0625, Subd. 33 defines the target group for CW-TCM as children under age 21 who are: 1) at risk of placement or in placement; 2) at risk of maltreatment or experiencing maltreatment; or 3) in need of protection or services. Children with SED could meet the CW-TCM target group criteria for risk of out of home placement. While there are similarities in the two types of case management, a concern raised by mental health professionals is that children with severe emotional disturbance might not get the more appropriate Rule 79 case management because of easier billing procedures and potentially higher reimbursement under CW-TCM.

B. METHOD

As part of this study the department had a working advisory group composed of county staff, advocates, a provider representative, and staff from financial management, medical assistance and mental health areas of the department. This group helped to define what are the issues and barriers as well as possible solutions to these problems in the provision of mental health case management to children. A second work group consisting of

county staff from the Moose Lake Regional Treatment Center catchment area along with department staff met to identify problems with medical assistance billings for Rule 79 case management for both adults and children.

Counties provided input as part of their Mental Health Plans for 1994-1995. Counties were asked to identify the most significant barriers preventing effective delivery of case management services to children with severe emotional disturbance (SED). County costs for Rule 79 as well as CW-TCM were examined on both an hourly and monthly basis. The cost information was from county Social Services Expenditure and Grant Reconciliation (SEAGR) reports submitted to the Department. County personnel costs were also examined by using information from the department's Merit System which has salary costs for most counties. Finally, MA Rule 79 billing information was analyzed for services provided during FY 1993 to children and to adults.

The CW-TCM billing and rate setting mechanism were also examined and compared to the Rule 79 billing system. The CW-TCM billing system is based on a monthly face-to-face contact with the child. Eight monthly rates have been established for groups of certified counties based on information from the Social Services Time Study (SSTS) and county cost information. The county receives MA reimbursement for each child that receives direct CW-TCM service each month. This rate is set based on the average amount of service provided to a child in a month as shown by the SSTS. For example the more service provided per child, the higher the monthly rate is for that county. The actual reimbursed amount that a county receives for providing CW-TCM services is the federal share since the county pays the non-federal share. The monthly rate is changed once a year based on the results from the previous year's SSTS results and cost reports from the counties.

C. FINDINGS

Although there is concern about the low number of children provided Rule 79 service, there has been improvement from FY 1992 to FY 1993 in the number of children served and the percent of those receiving MA reimbursed service. During FY 1993 2,130 children received Rule 79 case management services. This figure is a large increase compared to the 750 children reported to be receiving Rule 79 services in FY 1992. Of the children receiving Rule 79 services in FY 1993, 41% of the total received services which were MA reimbursed. For FY 92 only 33% of the children received Rule 79 services which were MA reimbursed.

While there has been large changes in the number served, the projected use is still well below projections. For FY 1993 it was projected in the original fiscal note that $784,000 would be spent on children's Rule 79 service, while actually only $493,000 (63% of projected) was billed. County fiscal reports for FY 1993

have also indicated that only 15% of expenditures for adult and child Rule 79 case management services were reimbursed by MA.

In requiring the analysis of children's mental health case management reimbursement, the Legislature also identified issues to be addressed by the report. Below is a list of the issue identified by the Legislature followed by an analysis of the issue.

Issues Identified by the Legislation:

(1) Review experience and consider alternatives to the reporting and claiming requirements, such as the rate of reimbursement, the claiming unit of time, and documenting and reporting procedures.

Currently Medical Assistance payment for Rule 79 case management is paid on a basis of minutes of service claimed. The claims are based on 7 procedure codes (HCPCS or Health Care Financing Administration Common Procedure Coding System) which are: 1) face-to-face contacts with recipient; 2) telephone contacts; 3) face-to-face contacts with family, other caregivers, mental health providers; 4) in-county case manager travel time to visit the client; 5) out-of-county case manager travel time to visit the client; 6) contacts with clinical supervisor; and 7) community support plan and assessment development, review and revision. These HCPCS provide a much greater level of detail for this service than other types of outpatient mental health HCPCs such as one HCPC for a day treatment or a psychotherapy session.

When filing claims case managers must report the time for each of the allowable HCPCS and document in the client's record the date, type, length and scope of the service. The time spent by the case manager in charting and record keeping is not eligible for payment. In addition there are limitations for particular HCPCS for a client during a monthly period. Unless there is prior authorization, payment is limited to no more than ten hours per recipient per month, excluding time required for out-of-county travel. Telephone contacts are limited to 3 hours per recipient per month. During FY 93 16,628 hours of Rule 79 Medicaid reimbursed service was provided to 869 children. Assuming that the average number of children served in one month is half the yearly total, this would still mean that each month a child receives 3.19 hours of reimbursable service.

A problem that has caused delays in payments for claims has been a requirement that the state Medicaid Management Information System (MMIS) have a designator in the system that the client is eligible for Rule 79 case management. The county, as the local mental health authority, is responsible for determining eligibility for case management following Rule 79 guidelines. However, this designation is not always entered into the state system causing bills to be rejected when a client has received services that should have been eligible for payment.

With the changeover to the new Medicaid Management Information System (MMIS-2), there will be some simplifications built into the billing system. The "registration" of clients as described above may be dropped with the new MMIS-2. This change should clear up the problems with proper claims being rejected.

One possible resolution to the problems of the existing system is to change the unit of claiming to fewer HCPCS for Rule 79 case management. This change would ease the complexity of documentation. In addition the time unit could be modified. Wisconsin currently uses an hour as their unit of service for mental health case management. Wisconsin uses 4 HCPCS: Assessment; Case Planning; Ongoing Case Management; Hospital Discharge Planning for 30 days prior to discharge.

Another alternative would be to follow the same procedures used in the CW-TCM claiming process, which is discussed later in this report.

2) Determine how to adjust the reimbursement rate to reflect reductions in caseload size;

The current MA rate for Rule 79 CM is $0.50 per minute ($30 per hour). Although the rate has not changed since 1989, additional reimbursable activities (such as in-county travel) have been added to help make the total reimbursement closer to actual costs. In initially establishing the case management rate of $30 per hour it was assumed this would be equivalent to $40,000 per year for an FTE with a 30:1 caseload. The rate is intended to cover the cost of a full time case manager with all associated costs (salary, benefits, travel costs, clinical supervision as required by Rule 79 and administrative support).

A separate rate was not established for children's case management when it was established in 1991 although the target caseload size is 15:1 or half of the adult caseload size. With a lower caseload size there should be more billable hours for each child and therefore higher reimbursement. Since the costs for county case workers are similar for adult and children caseloads, the hourly costs for adult and child case managers should be the same.

The lower the caseload for a case manager, the easier it should be to bill MA if the client was eligible. However, large caseloads are probably one of the contributing factors to lower than expected billing for children and adults. With higher caseloads, it is more difficult for the case manager to find time to do the paperwork associated with the billing. The counties would need to hire more case managers first and assume that the MA reimbursement would pay for the costs of that case manager.

Moreover, counties have assisted that the current rate does not provide enough revenue to cover the cost of additional case

managers. If the rate accurately reflected the cost of a full time case manager with all associated costs, the revenue should be adequate to add case managers to reach the caseload limits of 15:1 for children with SED and 30:1 for adults with SPMI. The MA revenue should be adequate to cover the case managers providing services to MA eligible children and adults. Other revenue sources would be used to cover the non-MA eligible population. For FY 93 county fiscal reports indicated that MA/GAMC provided only 15% of the revenue for Rule 79 case management. However, in FY 1993 state reports indicate that counties received MA reimbursement for 46% of adults and 44% of children who received case management services.

In studying actual county costs for case management, the current salary rates were examined from the Merit System. The current average salaries with a estimated 23% for benefits for all county social workers covered under the state's merit system for personnel issues, is $36,900. This would not include other administrative costs such as travel, supervision or other administrative support such as billing. In St. Louis county the average salary with the estimated 23% in benefits is approximately $44,900.

Most of the Metro counties are not included in the State's central Merit System. These counties usually have higher salary costs than the counties in greater Minnesota. For example in Ramsey county, it is estimated that the salary cost for the average social worker with 23% in benefits is $54,199. With the current $30 per hour rate, this amount is not adequate to cover many of the higher cost counties. Also since these counties contain most of state population, most case managers are under-reimbursed. The county is forced to increase its own contributions to add additional case managers.

To determine actual county costs for Rule 79, county costs as reported to the state for FY 93 were examined. Counties reported that for FY 1993 county staff provided 203,347 hours of Rule 79 case management services to adults and children at a cost of $13,786,338. This equals $67.80 per hour of service. They also indicated that they purchased 67,427 hours of case management services for $2,051,758. This equals $30.43 per hour. However the purchased rate probably under-estimates actual costs because many of the contracted providers are paid the MA rate. The contracted rate would also not include any county administrative costs.

3) Determine how to ensure that provision of targeted child welfare case management does not preclude an eligible child's right, or limit access, to case management services for children with severe emotional disturbance.

Under current legislation a child with severe emotional disturbance must be offered Rule 79 case management by the county. The child may also receive CW-TCM services if the services meet the MA statutory requirements. M.S. 256B.0625, Subd. 33 defines the eligibility for CW-TCM as including children under age 21 who are: 1) at risk of placement or in placement; 2) at risk of maltreatment or experiencing maltreatment; or 3) in need of protection. Children with SED could meet the CW-TCM eligibility of risk of out-of-home placement. While the legal requirements support the provision of Rule 79 case management to eligible children with SED, there are differences in MA billing procedures and rates that probably are a disincentive to provide Rule 79 case management in favor of CW-TCM.

The CW-TCM uses a monthly billing for MA reimbursement based on a contact with the client. This monthly rate is based on the Social Services Time Study (SSTS) of all county case managers. The SSTS uses random moment sampling of case workers' time to determine how much service is provided each month to an average client. The SSTS was established in 1985 to establish federal reimbursement to counties for various administrative activities. Since it covers all county direct service workers, the SSTS also includes Rule 79 case managers. In calculating the CW-TCM rate from the SSTS, the CW-TCM non-eligible activities such as Rule 79 services are excluded for rate setting purposes.

If the current $30 per hour of service is maintained, it is estimated for a 15:1 caseload size that the average case manager would receive $168 per month for 5.6 hours of claims. However during FY 1993, 16,628 hours of Rule 79 case management were provided to 869 children with severe emotional disturbance. This would average out to 1.6 hours per client per month or $48 per client per month in claims. In CY 1993 MA paid $3,493,005 for Rule 79 services to 6,716 children and adults. These figures average $520 per year per person served and $43 per month per person served during the year. The average Child Welfare Targeted Case Management reimbursement to counties is $218 per month, which is the federal share of the total cost of $444 minus a 10% DHS administrative set-aside. The county pays the local share for Child Welfare Targeted Case Management.

To compare Rule 79 costs with Child Welfare Targeted Case Management (CW-TCM) costs, the CW-TCM monthly cost based rates starting October 1993 were converted to hourly rates. Based on the average staff hours for CW-TCM services in one month, an hourly rate of $63.40 is estimated for CW-TCM. This is comparable to the costs of Rule 79 case management. The actual

MA reimbursement rate would be approximately $31.13 per hour (the federal share less the administrative set-aside). Even though the hourly MA payments appear to be similar for Rule 79 and CW-TCM, the overall monthly and yearly payments for CW-TCM are higher. The current Rule 79 rate does not appear adequate to generate additional revenue for counties to hire case managers and to lower caseloads.

4) Determine how to include cost and time data collection for contracted providers for rate setting, claims, and reimbursement purposes;

If the Social Services Time Study (SSTS) were used for Rule 79 rate-setting for county staff in the same manner as CW-TCM, a mechanism for rate setting for contracted providers would also have to be established. Currently, there are no CW-TCM contracted providers, so the SSTS is the only time sampling needed to establish rates. However for Rule 79 in FY 1993, approximately 25% of the total billings were from contracted providers. As of January 1994 there were 18 non-county enrolled Rule 79 MA providers. There are federal MA requirements that rate setting procedures are similar for all providers of the same service.

If the conversion to monthly bundled rates is adopted, it is recommended that contracted provider rates be linked to the county established rates. County rates would be established in the same manner as CW-TCM based on their costs and random time samples through the SSTS. Several county rates would be established by similar costs, service intensity and effort and by child vs. adult caseload size. A higher monthly rate would be likely for children since they would have lower caseloads and therefore more direct service for each child.

The contracted providers' rates would be established by: 1) the caseload size for the provider; and 2) region of the county with whom the provider has the contract. Contracted providers would be paid a percentage of the regional county monthly rate. The reduced rate would be based on the rationale that the providers would not participate in a time study and do not have the other administrative responsibilities required of the county as the local mental health authority. The caseload size would be based on the annual survey of caseload sizes conducted by the department. Contracted providers would have the same type of monthly billing procedures as the counties. This methodology would be subject to federal approval.

There are MA policy concerns about expanding the time study rate setting to non-county providers or providers not under contract to a county. There is a concern about the lack of detail that would be received by non-county providers in providing this service. In addition there is a concern that there will be pressure for other types of mental health services and other MA

reimbursed services to move to monthly billing using time studies.

Under MA regulations, 1915(g), states can choose to limit MA reimbursed case management providers for the target populations of persons with a serious mental illness, severe emotional disturbance or a developmental disability. From a MA policy perspective, it is important that if a time study method is expanded to Rule 79 that the providers either be counties or providers under contract to the county for Rule 79 services. This limitation controls the number and quality of providers of case management service.

5) Evaluate the need for cost control measures where there is no county share; and

There are two issues related to cost control mechanisms: rate setting and cost containment. The rate setting mechanism under CW-TCM uses a large county cost pool. Due to the large nature of this cost pool, the rate setting based on county costs would be closely tied to actual costs. For contracted providers the rate setting should not be an issue as long as it is linked to the county cost pool.

Historically, cost containment for Rule 79 MA billings has not been an issue since MA payments have been well below forecasted levels. However in a cost-based rate setting model like the CW-TCM model, some type of cost containment may need to be adopted since actual costs appear to be approximately twice the current MA rate. For CW-TCM the cost containment is the county paying the non-federal share of the MA rate. Wisconsin uses a similar model for its mental health targeted case management with its counties paying the non-federal share. If the cost-based model is adopted for Rule 79, some type of cost containment mechanism would be needed if the state share of the MA forecast is not to be exceeded. The options could include the county paying part of the non-federal share.

Rule 79 establishes a maximum caseload size of 30:1 for adults and 15:1 for children which took effect in January 1994. Counties are required to meet these caseloads only if they receive additional non-county revenue above the amount received in CY 1992. Any additional MA revenue must be used to reduce the caseload size to the required maximum. Although not directly controlling costs, this requirement insures that the additional revenues are used to improve service.

An issue raised by the issue of cost containment and the possibility of county responsibility for cost containment is the role of the contracted provider. Since the contracted provider cannot, under federal law, pay the local share and counties might have to contribute for the local share, counties would have to

have some type of control over the contracted providers. The 1993 Legislature approved a bill allowing non-county providers to provide children's case management without a county contract if there was low case management service in that county. In addition, all Family Community Support Service (FCSS) providers will be eligible to enroll for MA-CM without county approval. Under the new billing system, there would be no cost control mechanism for a non-county provider without a county contract. In addition there is currently the requirement that additional MA revenues be used by the county to reduce caseload size. If a non-contracted provider is receiving the MA revenue, the county has no access to the MA revenue to reduce caseload size. If Rule 79 is changed to the CW-TCM payment model, the legislation that allowed non-contracted non-county providers to bill MA should be repealed.

6) Determine how multi-agency teams may share the reimbursement.

An integrated fund should help to resolve the issue of sharing reimbursement. The reimbursement could come to the county social services agency as part of the integrated fund.

When there is not an integrated fund, it would probably make the most sense to pay the county (since they have the statutory responsibility to provide the service) and then leave it up to the county to divide the payment among the team members.

COUNTY IDENTIFIED BARRIERS TO RULE 79 CASE MANAGEMENT

As part of their Mental Health Plans for 1994-1995, counties were asked to identify barriers to effective delivery of case management services to children with severe emotional disturbance. In their plans the counties identified seven major categories of barriers to effective delivery of case management services to children with severe emotional disturbance. The barriers included: lack of coordination; inadequate funding; parental reluctance or non-cooperation; limited resources; lack of early identification and intervention; rural isolation; and large caseloads. These issues are listed in Appendix A. Below is a summary of some of the major issues listed as barriers to case management.

Barriers to Case Management

A) Claims Documentation- One problem brought up by many counties is the amount of documentation required for the current Rule 79 billing. The change to a monthly billing system would reduce the documentation requirement. Only the monthly face-to-face or telephone contacts used for the monthly billing would require extra Medical Assistance documentation. Another way to reduce documentation

requirements would be to reduce the number of procedure codes.

B) Accessibility by People of Color- It was noted that for some clients, the current case managers and/or the services available for referral from the case manager may not be culturally sensitive. While a change in the billing system would not address this issue directly, an increase in MA revenues will allow counties to hire more case managers or contract for case management with persons who are persons of color or culturally sensitive.

C) Stigma Associated with Mental Health Services- It was noted by several counties in their county mental health plans that case management is sometimes not sought by parents of children with emotional disturbance because of the stigma associated with mental health services. Providing options of Rule 79 case management not directly tied to mental health may help with this reluctance on the part of the family. Changes in the billing system will probably not address this issue.

D) Stigma Associated with County Social Services- It was also noted by several counties in their county mental health plans that case management is sometimes not sought by parents of children with emotional disturbance because of the stigma associated with county social services. Sometimes this hesitation may be due to interaction with a county worker on another family issue. Providing an option of case management services from another worker or agency may help to provide this service in this case.

OTHER ISSUES REGARDING RULE 79

Inclusion of adult Rule 79 Case Managers in any changes.

While the Legislative requirement for this report focusses on children, most of the issues that have been identified also apply to adults. It makes sense for counties to use the same billing mechanism for all mental health case management. Due to the difference in caseload size it would be expected that the rate for each client per month would differ for adult vs. child case management (if a monthly rate is adopted).

D. RECOMMENDATIONS

The Department has developed three options for the Legislature to consider to improve the current system of Rule 79 case management. It is recommended that all options be applied to adult Rule 79 as well as children's Rule 79 MA reimbursement.

OPTION 1

Legislative Action- Change the current Rule 79 billing to the Child Welfare Targeted Case Management (CW-TCM) model. The rate setting mechanism would be the same as Child Welfare with a monthly bundled rate. The counties would pay half of the non-federal share of MA for both children and adults as a cost control mechanism. Providers of Rule 79 case management could only be the county or their contracted providers.

Possible Implications- This change would equalize the billing procedures for Child Welfare and Rule 79 case management as well as linking rate setting to actual costs. However the county should now be required to pay half of the non-federal share of Rule 79. This sharing of the non-federal share of MA payments would be the same as that used for the MA payments for children in RTCs. The actual costs appear to be approximately double the current $30 per hour rate. The sharing of the local share would keep the state within its forecast for the FY 96-97 biennium. However, given the higher rate, the county would still be financially ahead of the current system. The method of splitting the non-federal share would also add some complexity to the current system.

Another method of cost containment for this option would be to have the counties pay all of the non-federal share and increase either the CSSA allocation or state Rule 78 grants to counties by the current forecasted MA state share. This would make the billing system identical to the CW-TCM and provide the counties with the amount equal to the current forecasted MA state share. While this would be cost neutral to the state, counties would have to assume any future increases in the local share.

OPTION 2

Legislative Action- Raise the current reimbursement rate for Rule 79 case management and reduce the number of billing procedure codes from seven to one or two codes.

Possible Implications- The increase in rates would be a greater incentive for the counties to hire more case managers and lower caseload sizes. The simplified billing system would also allow for more billable time since less detail would be required. The rate increase would have to be kept below actual cost to stay within forecasted expenditure levels. However the rate would be above the current rate.

OPTION 3

Legislative Action- Raise the current reimbursement rate for Rule 79 case management and reduce the number of billing procedure codes from seven to one or two codes. Also, split the non-federal share of MA and GAMC payments evenly between the state and counties.

Possible Implications- The increase in rates would be a greater incentive for the counties to hire more case managers and lower caseload sizes. The simplified billing system would also allow for more billable time since less detail would be required. The rate increase would have to be kept below actual cost to stay within forecasted expenditure levels. The sharing of the local share would keep the state within its forecast for the FY 96-97 biennium. However, given the higher rate and additional federal revenue, the county would still be financially ahead of the current system. The method of splitting the non-federal share would also add some complexity to the current system.

FISCAL ANALYSIS

The current legislation requires that any changes with MA reimbursement for Rule 79 stay within the forecast for the FY 94-95 biennium. The December 1993 forecast for Medical Assistance in FY 95 is $5,166,000 for Medicaid and $718,000 for GAMC. For FY 1993 $2,657,401 in Medical Assistance and $555,734 in GAMC was spent for Rule 79 case management. It is assumed that the MA forecast would change in later fiscal years based on growth in the number of persons receiving case management and growth in total persons who are eligible for MA. Given the possible start-up date of January 1, 1995 for any rate changes, it appears that the forecast would not be exceeded for the current biennium.

Fiscal analyses have been conducted on both of the options listed above to examine cost implications for the MA forecast beyond FY 1995. For both of these analyses a growth in the number of children and adults served is projected through FY 1999. It is also assumed that the child Rule 79 case manager will have a 15:1 caseload size while the adult case manager will have a 30:1 caseload size.

Option 1 Forecast Implications- Appendix B, titled "Option 1", provides the detailed fiscal analysis of converting to a bundled monthly cost-based billing system with the county splitting the non-federal share with the state. According to this analysis of the state contribution to MA (the last column of the bottom chart), the first year over the current MA forecast would be FY 1997. In FY 97 the state share under Option 1 would be $109,000 over the forecast. However, the GAMC projections for FY 97 with this option (listed in Appendix E) would be $151,000 below

forecast. Combining the state share of the MA and GAMC forecast, this option would be cost neutral through FY 97.

Option 2 Forecast Implications- Appendix C, titled "Option 2", provides the fiscal analysis of increasing the current rate from $30 per hour to $40 per hour. It also assumes that the billing procedures would be simplified in order to allow an increase in the number of clients billed for under MA. According to this analysis, if the state continues to provide the normal 46% match, this option would be under forecast through FY 1996. In FY 97 while the MA state share would be $141,851 over forecast, while the GAMC payments are projected to be $79,600 under forecast. This would result in being $62,000 over the combined MA and GAMC forecast.

Option 3 Forecast Implications- Appendix D, titled "Option 3", provides the fiscal analysis of increasing the current rate from $30 per hour to $65 per hour. It also assumes that the billing procedures would be simplified in order to allow an increase in the number of clients billed for under MA. If the counties paid half the non-federal share, the hourly rate could be increased to $65, thus claiming additional federal reimbursement. This option would remain cost neutral to the state through FY 97 when combined with the GAMC adjustments.

Comparison of Federal Revenue Among 3 Options

For Option 1 it is estimated that for FY 96 and FY 97 the federal payments would increase $2.5 million and $3.3 million, respectively, over current projections. For Option 2 it is estimated that the only increase in federal payments above forecasted levels would be $0.2 million in FY 97. For Option 3 it is estimated that for FY 96 and FY 97 the federal payments would increase $2.2 million and $2.8 million, respectively, over current forecasted levels.

GAMC Forecast Implications for Each Option

Appendix E, titled "GAMC Forecast Implications", provides an analysis of the each options projected impact on the GAMC forecast. The GAMC reimbursements are only for adults in residential facilities federally classified as Institutions for Mental Disease (IMDs). Residents in these facilities cannot receive MA reimbursable services even if they would be otherwise qualified. GAMC pays for Rule 79 services for clients in these facilities who were MA eligible before entering them. With a change in reimbursement rates there are implications for the GAMC forecast.

Since GAMC is currently all state funding, any increase would be an increase in state funding under current law. If there is local cost sharing for MA in Options 1 and 3, similar provisions should be adopted for GAMC. For all of the options considered it

would then be projected that the GAMC costs would be below forecast through FY 1997.

For Option 1, using the county cost basis, GAMC would be $168,148 and $151,673 below forecast for FY 96 and FY 97, respectively. For Option 2, using a $40 per hour rate, GAMC payments would be $79,600 below forecast for both FY 96 and FY 97. For Option 3, using a $65 per hour rate, the GAMC payments would be $199,300 below forecast for both FY 96 and FY 97.

Further Information

For further information about this report, please contact:

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Appendix A

COUNTY IDENTIFIED BARRIERS TO RULE 79 CASE MANAGEMENT TO CHILDREN WITH SEVERE EMOTIONAL DISTURBANCE

As part of their Mental Health Plans for 1994-1995, counties were asked to identify barriers to effective delivery of case management services to children with severe emotional disturbance. In their plans the counties identified seven major categories of barriers to effective delivery of case management services to children with severe emotional disturbance:

1. Lack of coordination between service providers/child/parents & Unclear roles when court/child protection or welfare involved, including duplication of services/funding/planning documents: 25 counties.

2. Inadequate funding/ MA reimbursement constraints, and other MA issues: 22 counties.

3. Parents reluctance to accept or non cooperation with mental health services: Stigma or desire to be independent: 20 counties.

4. Limited resources: No universally accepted screening tool to identify SED children, Staff with mental health expertise, Culturally appropriate resources, Respite, FCSS, child psychiatrist, services for young children: 16 counties.

5. Lack of Early Identification & Intervention: Professionals delay identification of children with SED/referrals for mental health services until crisis occurs: 15 counties.

6. Rural isolation: Geographical constraints: Transportation, Large geographic area and sparse population: Lack of services: residential treatment or Therapeutic treatment homes: 13 counties.

7. Large case load size: 13 counties.

Additional barriers included:

8. Presciptiveness of rule (79)/paper work/complicated intake process, restraints on case managers to access needed services: 9 counties.

9. Geographical constraints: Transportation, Lack of residential treatment or treatment homes within county: 6 counties.

10. Delays in getting diagnostic assessment completed: 3 counties.

11. Refusal of Rule 79 Case Management in deference to general case management: 1 county.

12. Lack of adequate clinical supervision: 1 county.

OPTION 1
Est. New MA Rule 79 Forecast Assuming Monthly Rate
Based on Actual County Costs

	CHILD			ADULT			TOTAL	
	Est. Monthly Served	Monthly County Rate	Total Payments	Est. Monthly Served	Monthly County Rate	Total Payments	Est. Monthly Served	Total Payments
Est. FY 94 Avg	398			2,416			2,814	
FY 95– Current for 3 Quarters	500	$111	$499,500	2,500	$90	$2,025,000	3,000	$2,524,500
FY 95– Cost Basis for 1 Quarter	600	$336	$567,959	2,600	$151	$1,107,521	3,200	$1,675,480
FY 95– Total			$1,067,459			$3,132,521		$4,199,980
FY 96– Cost Basis	800	$415	$3,704,263	2,800	$207	$6,482,460	3,600	$10,186,723
FY 97– Cost Basis	1,000	$427	$4,769,070	2,900	$214	$6,915,151	3,900	$11,684,221
FY 98– Cost Basis	1,200	$440	$5,894,570	3,000	$220	$7,368,213	4,200	$13,262,783
FY 99– Cost Basis	1,400	$453	$7,083,309	3,100	$227	$7,842,234	4,500	$14,925,543

ASSUMPTIONS:

1) Assuming a 15:1 caseload size for children and 30:1 caseload size for adults.
2) Assuming current MA rate for 3 quarters of FY 95 & monthly rates based on a county hourly cost of $67.80 in FY 1993 and 3% annual increases.
3) Assuming approximately 50% of case manager's time is direct billable service.
4) Assuming contracted providers receive 80% of county rate and contracted providers provide the following percent of Rule 79 service: 25% in FY 95; 30% in FY 96 and 35% after FY 97.

	Current Forecast Federal/State	Adjustment Needed	Adjustment In Federal Share	Current Forecasted State Share	Revised State Share @ 23%	Additional State Share @ 23%
Est. FY 94 Avg						
FY 95– Current for 3 Quarters	$3,874,500	($1,350,000)	($733,995)	$1,767,934	$1,151,929	($616,005)
FY 95– Cost Basis for 1 Quarter	$1,291,500	$383,980	$208,770	$589,311	$382,261	($207,051)
FY 95– Total	$5,166,000	($966,020)	($525,225)	$2,357,246	$1,534,190	($823,056)
FY 96– Cost Basis	$5,602,728	$4,583,995	$2,492,318	$2,556,525	$2,324,101	($232,424)
FY 97– Cost Basis	$5,602,728	$6,081,493	$3,306,508	$2,556,525	$2,665,755	$109,230
FY 98– Cost Basis	$5,602,728	$7,660,055	$4,164,772	$2,556,525	$3,025,904	$469,379
FY 99– Cost Basis	$5,602,728	$9,322,815	$5,068,815	$2,556,525	$3,405,263	$848,738

5) Assuming the non–federal share (46%) is split evenly between state (23%) and counties (23%) beginning the last quarter of FY 1995.

APPENDIX C

OPTION 2

Est. New MA Rule 79 Forecast Assuming New Hourly Rate of $40

	CHILD			ADULT			TOTAL	
	Est. Monthly Served	Monthly Payments 15:1 Ratio	Total Payments	Est. Monthly Served	Monthly Payments 30:1 Ratio	Total Payments	Est. Monthly Served	Total Payments
Est. FY 94 Avg	398			2,416			2,814	
FY 95– $30/Hr. for 3 Quarters	500	$168	$499,500	2,500	$84	$2,025,000	3,000	$2,524,500
FY 95– $40/Hr. for 1 Quarter	550	$224	$369,600	2,600	$112	$873,600	3,150	$1,243,200
FY 95– Total			$869,100			$2,898,600		$3,767,700
FY 96– $40/Hr.	700	$224	$1,881,600	2,700	$112	$3,628,800	3,400	$5,510,400
FY 97– $40/Hr.	800	$224	$2,150,400	2,800	$112	$3,763,200	3,600	$5,913,600
FY 98– $40/Hr.	1,000	$224	$2,688,000	2,900	$112	$3,897,600	3,900	$6,585,600
FY 99– $40/Hr.	1,200	$224	$3,225,600	3,000	$112	$4,032,000	4,200	$7,257,600

ASSUMPTIONS:

1) Assuming a 15:1 caseload size and estimated 5.6 hrs. per month per child and and 30:1 caseload size and estimated 2.8 hrs. per month per adult.
2) Assuming current MA rate for 3 quarters of FY 95 and then new hourly cost of $40.00 per hour in each year following.
3) Assuming approximately 50% of case manager's time is direct billable service.

	Current Forecast Federal/State	Adjustment Needed	Adjustment In Federal Share	Current Forecasted State Share	Revised State Share @ 46%	Additional State Share @ 46%
Est. FY 94 Avg						
FY 95– $30/Hr. for 3 Quarters	$3,874,500	($1,350,000)	($733,995)	$1,767,934	$1,151,929	($616,005)
FY 95– $40/Hr. for 1 Quarter	$1,291,500	($48,300)	($26,261)	$589,311	$567,272	($22,039)
FY 95– Total	$5,166,000	($1,398,300)	($760,256)	$2,357,246	$1,719,202	($638,044)
FY 96– $40/Hr.	$5,602,728	($92,328)	($50,199)	$2,556,525	$2,514,396	($42,129)
FY 97– $40/Hr.	$5,602,728	$310,872	$169,021	$2,556,525	$2,698,376	$141,851
FY 98– $40/Hr.	$5,602,728	$982,872	$534,388	$2,556,525	$3,005,009	$448,484
FY 99– $40/Hr.	$5,602,728	$1,654,872	$899,754	$2,556,525	$3,311,643	$755,118

OPTION 3

Est. New MA Rule 79 Forecast Assuming New Hourly Rate of $65 & County Local Share

	CHILD			ADULT			TOTAL	
	Est. Monthly Served	Monthly Payments 15:1 Ratio	Total Payments	Est. Monthly Served	Monthly Payments 30:1 Ratio	Total Payments	Est. Monthly Served	Total Payments
Est. FY 94 Avg	398			2,416			2,814	
FY 95– $30/Hr. for 3 Quarters	500	$168	$499,500	2,500	$84	$2,025,000	3,000	$2,524,500
FY 95– $65/Hr. for 1 Quarter	600	$364	$655,200	2,600	$182	$1,419,600	3,200	$2,074,800
FY 95– Total			$1,154,700			$3,444,600		$4,599,300
FY 96– $65/Hr.	800	$364	$3,494,400	2,800	$182	$6,115,200	3,600	$9,609,600
FY 97– $65/Hr.	1,000	$364	$4,368,000	2,900	$182	$6,333,600	3,900	$10,701,600
FY 98– $65/Hr.	1,100	$364	$4,804,800	3,000	$182	$6,552,000	4,100	$11,356,800
FY 99– $65/Hr.	1,200	$364	$5,241,600	3,000	$182	$6,552,000	4,200	$11,793,600

ASSUMPTIONS:

1) Assuming a 15:1 caseload size and estimated 5.6 hrs. per month per child and and 30:1 caseload size and estimated 2.8 hrs. per month per adult.
2) Assuming current MA rate for 3 quarters of FY 95 and then new hourly cost of $40.00 per hour in each year following.
3) Assuming approximately 50% of case manager's time is direct billable service.

	Current Forecast Federal/State	Adjustment Needed	Adjustment In Federal Share	Current Forecasted State Share	Revised State Share @ 23%	Additional State Share @ 23%
Est. FY 94 Avg						
FY 95– $30/Hr. for 3 Quarters	$3,874,500	($1,350,000)	($733,995)	$1,767,934	$1,151,929	($616,005)
FY 95– $65/Hr. for 1 Quarter	$1,291,500	$783,300	$425,880	$589,311	$473,366	($115,946)
FY 95– Total	$5,166,000	($566,700)	($308,115)	$2,357,246	$1,625,295	($731,951)
FY 96– $65/Hr.	$5,602,728	$4,006,872	$2,178,536	$2,556,525	$2,192,430	($364,095)
FY 97– $65/Hr.	$5,602,728	$5,098,872	$2,772,257	$2,556,525	$2,441,570	($114,955)
FY 98– $65/Hr.	$5,602,728	$5,754,072	$3,128,489	$2,556,525	$2,591,054	$34,529
FY 99– $65/Hr.	$5,602,728	$6,190,872	$3,365,977	$2,556,525	$2,690,710	$134,185

4) Assuming the non–federal share (46%) is split evenly between state (23%) and counties (23%) beginning the last quarter of FY 1995 in last 2 cols.

GAMC FORECAST IMPLICATIONS FOR OPTIONS 1,2 & 3

OPTION 1
Est. New GAMC Rule 79 Forecast Assuming Monthly Rate
Based on Actual County Costs

	Est. Monthly Served	ADULT Monthly Payments 30:1 Ratio	Total Payments	Forecasted Payments	Adjustment Needed @50% State
Est. FY 94 Avg	467				
FY 95–Current for 3 Quarters	475	$90	$384,750	$538,500	($153,750)
FY 95–Cost Basis for 1 Quarter	475	$151	$202,335	$179,500	($78,332)
FY 95–Total			$587,085	$718,000	($232,082)
FY 96–Cost Basis	475	$207	$1,099,703	$718,000	($168,148)
FY 97–Cost Basis	475	$214	$1,132,654	$718,000	($151,673)
FY 98–Cost Basis	475	$220	$1,166,634	$718,000	($134,683)
FY 99–Cost Basis	475	$227	$1,201,633	$718,000	($117,184)

ASSUMPTIONS:
1) Assuming a 30:1 caseload size for adults.
2) Assuming current MA rate for 3 quarters of FY 95 & monthly rates based on a county hourly cost of $67.80 in FY 1993 and 3% annual increases.
3) Assuming approximately 50% of case manager's time is direct billable service.
4) Assuming contracted providers receive 80% of county rate and contracted providers provide the following percent of Rule 79 service: 25% in FY 95; 30% in FY 96 and 35% after FY 97.
5) Assuming GAMC costs are split evenly between state and county beginning last quarter of FY 1995.

OPTION 2
Est. New GAMC Rule 79 Forecast Assuming New Hourly Rate of $40

	Est. Monthly Served	ADULT Monthly Payments 30:1 Ratio	Total Payments	Forecasted Payments	Adjustment Needed @100% State
May–Oct 93 Avg	467				
FY 95–$30/Hr. for 3 Quarters	475	$84	$384,750	$538,500	($153,750)
FY 95–$40/Hr. for 1 Quarter	475	$112	$159,600	$179,500	($19,900)
FY 95–Total			$544,350	$718,000	($173,650)
FY 96–$40/Hr.	475	$112	$638,400	$718,000	($79,600)
FY 97–$40/Hr.	475	$112	$638,400	$718,000	($79,600)
FY 98–$40/Hr.	475	$112	$638,400	$718,000	($79,600)
FY 99–$40/Hr.	475	$112	$638,400	$718,000	($79,600)

OPTION 3
Est. New GAMC Rule 79 Forecast Assuming New Hourly Rate of $65

	Est. Monthly Served	ADULT Monthly Payments 30:1 Ratio	Total Payments	Forecasted Payments	Adjustment Needed @50% State
May–Oct 93 Avg	467				
FY 95–$30/Hr. for 3 Quarters	475	$84	$384,750	$538,500	($153,750)
FY 95–$65/Hr. for 1 Quarter	475	$182	$259,350	$179,500	($49,825)
FY 95–Total			$644,100	$718,000	($203,575)
FY 96–$65/Hr.	475	$182	$1,037,400	$718,000	($199,300)
FY 97–$65/Hr.	475	$182	$1,037,400	$718,000	($199,300)
FY 98–$65/Hr.	475	$182	$1,037,400	$718,000	($199,300)
FY 99–$65/Hr.	475	$182	$1,037,400	$718,000	($199,300)

ASSUMPTIONS FOR OPTIONS 2 AND 3:
1) Assuming a 30:1 caseload size and estimated 2.8 hrs. per month per adult.
2) Assuming current MA rate for 3 quarters of FY 95 and then new hourly cost of $40.00 per hour for 2 and $65 per hour for 3.
3) Assuming approximately 50% of case manager's time is direct billable service.
4) Assuming GAMC costs are split between state and county beginning last quarter of FY 1995 for Option 3.