



Behavioral Health Administration and Organization

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Briefing Topics

- Overview of Administrative Structure
- Administration Costs
- Impact to Provider Reimbursements

Disclaimers:

- These data in the presentation represent aggregate statewide trends and may not reflect community-specific or provider-specific trends
- Some of the year-to-year CMHSP data is “bouncy”, but the aggregate data is less so
- This presentation should not be used to compare/contrast administrative costs of the PIHPs with the administrative costs of the Medicaid health plans

Overview of Administrative Structure

Purpose of Managed Care

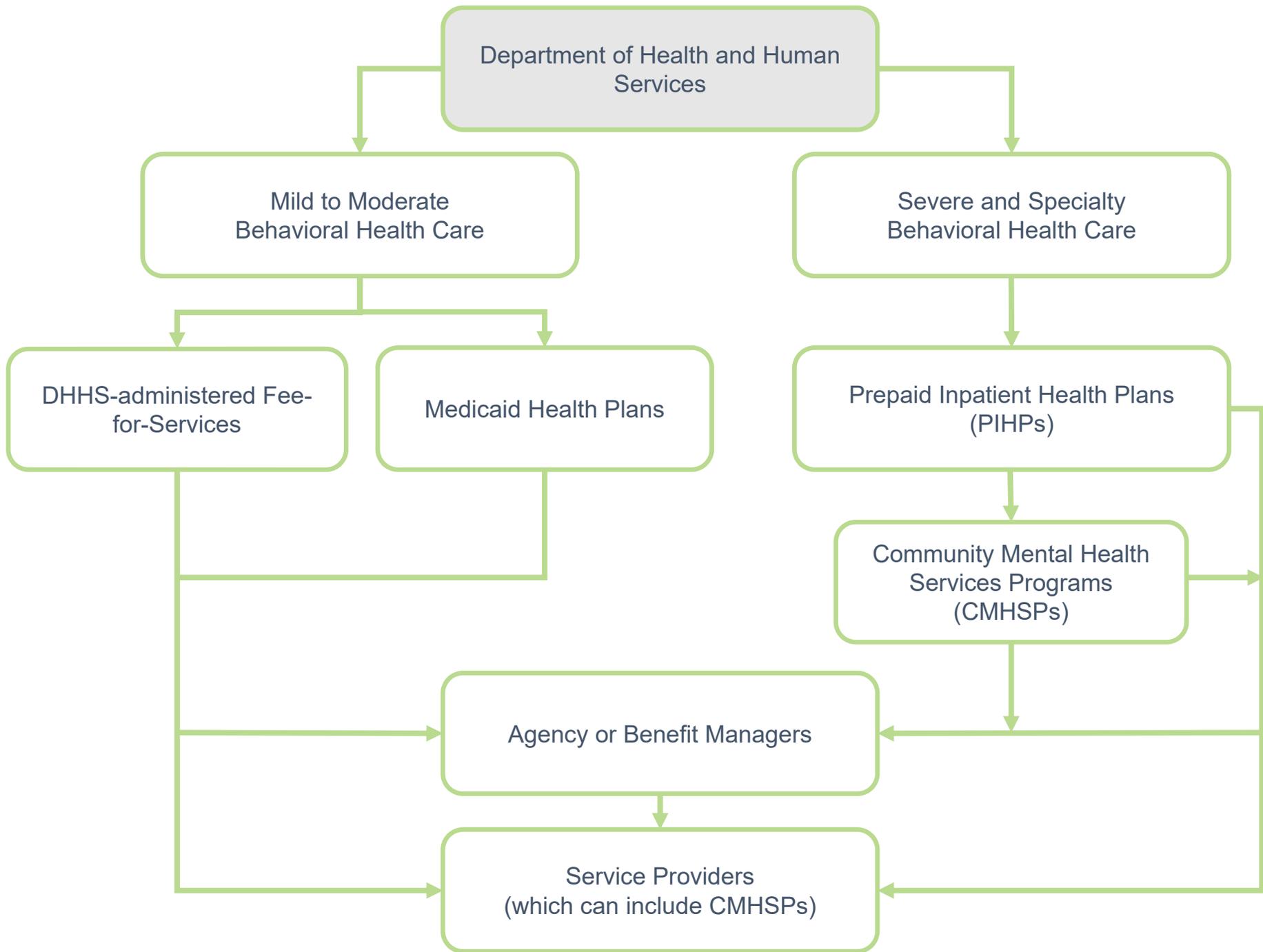
- Specialty behavioral health supports and services are administered through managed care
- The use of managed care is intended to constrain costs by minimizing utilization of higher-cost services, emphasizing primary and preventative care, and negotiating and incentivizing lower reimbursement rates with providers
 - Managed care is not intended to create savings
- Prepaid inpatient managed care health plans (PIHPs) accept a level of financial risk of having to pay for high utilizers of behavioral health supports and services by accepting a capitated per-eligible, per-month (PEPM) rate
 - PIHPs and DHHS share the costs of any financial deficits, with PIHPs responsible for the first 5% and half of the next 5% (7.5% total) and DHHS responsible for any remaining deficit
- The capitated rates must be actuarially sound based on generally accepted actuarial practices and regulatory requirements

Prepaid Inpatient Health Plan (PIHP) Responsibilities

- As the managed care organization, PIHPs are responsible for the operation of Medicaid behavioral health specialty supports and services
- Seven core functions of PIHP administration:
 - General management
 - Financial management
 - Information systems management
 - Provider network management
 - Utilization management
 - Customer services
 - Quality management
- PIHPs are not contractually obligated to directly administer Medicaid behavioral health specialty supports and services but may subcontract and sub-capitate many of the administrative functions with the CMHSPs and other provider agencies

Department of Health and Human Services (DHHS) Responsibilities

- DHHS responsibilities include:
 - Contract administration with the PIHPs
 - Monitor contractor performance
 - Apply contract remedies to assure contract compliance
 - Provide PIHPs with Medicaid recipient information
 - Provide PIHPs with third-party liability information
- Unlike Medicaid physical health care, DHHS does not directly operate any Medicaid behavioral health specialty supports and services



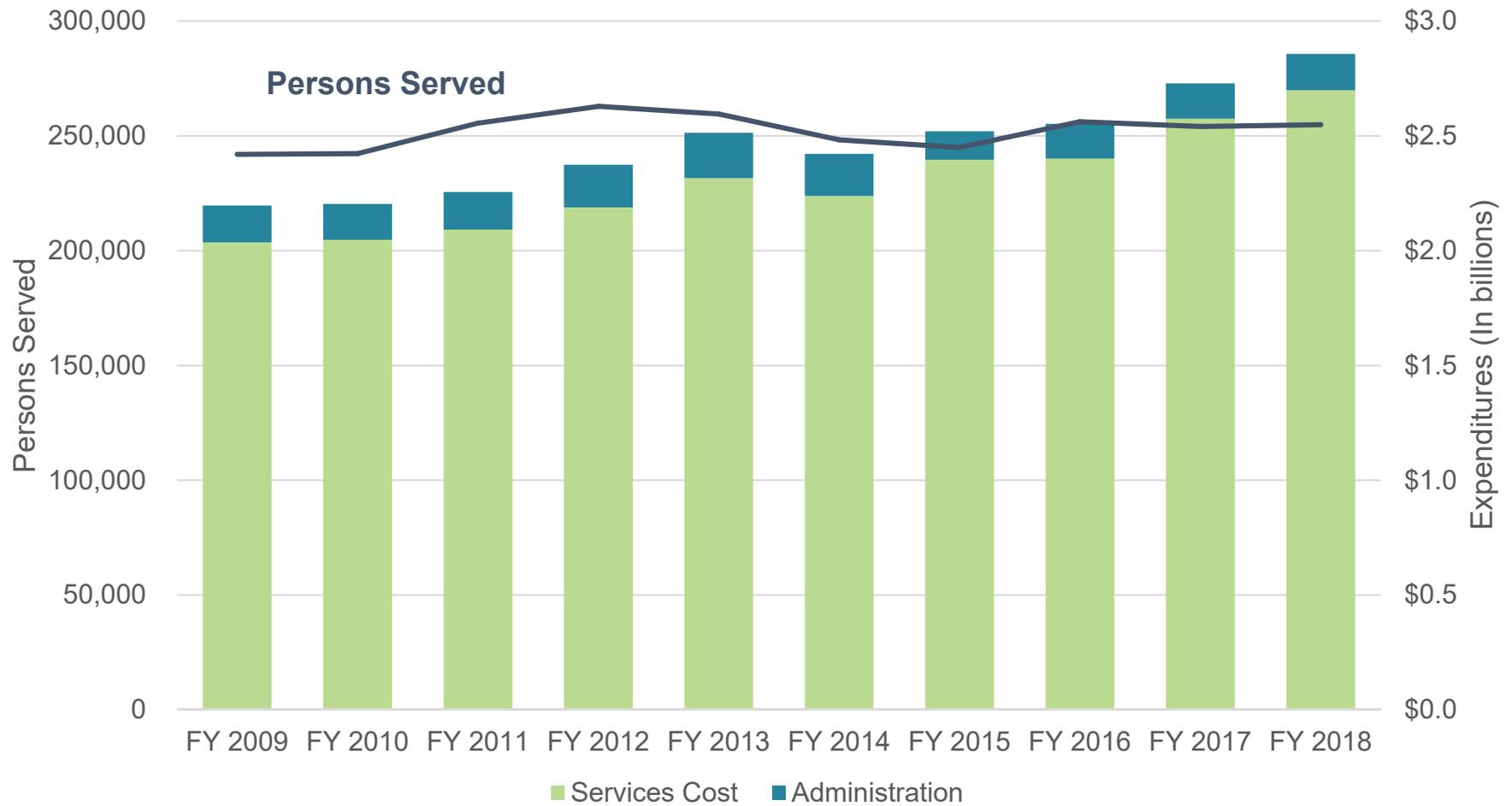
Administrative Costs

Behavioral Health Administrative Costs

- Administrative costs can increase when there is a duplication of responsibilities rather than a delegation of responsibilities
- Some administrative functions will naturally duplicate, at least in part, such as general management, contract management, and financial management
- DHHS behavioral health administration costs have ranged from \$10.0 million to \$20.0 million over the last 10 years, as DHHS has delegated many administrative responsibilities to the PIHPs
- Annual PIHP administrative costs have averaged \$150.0 million over the last 10 years
 - Amount should include subcontracted administrative costs

Behavioral Health Administration and Services Costs

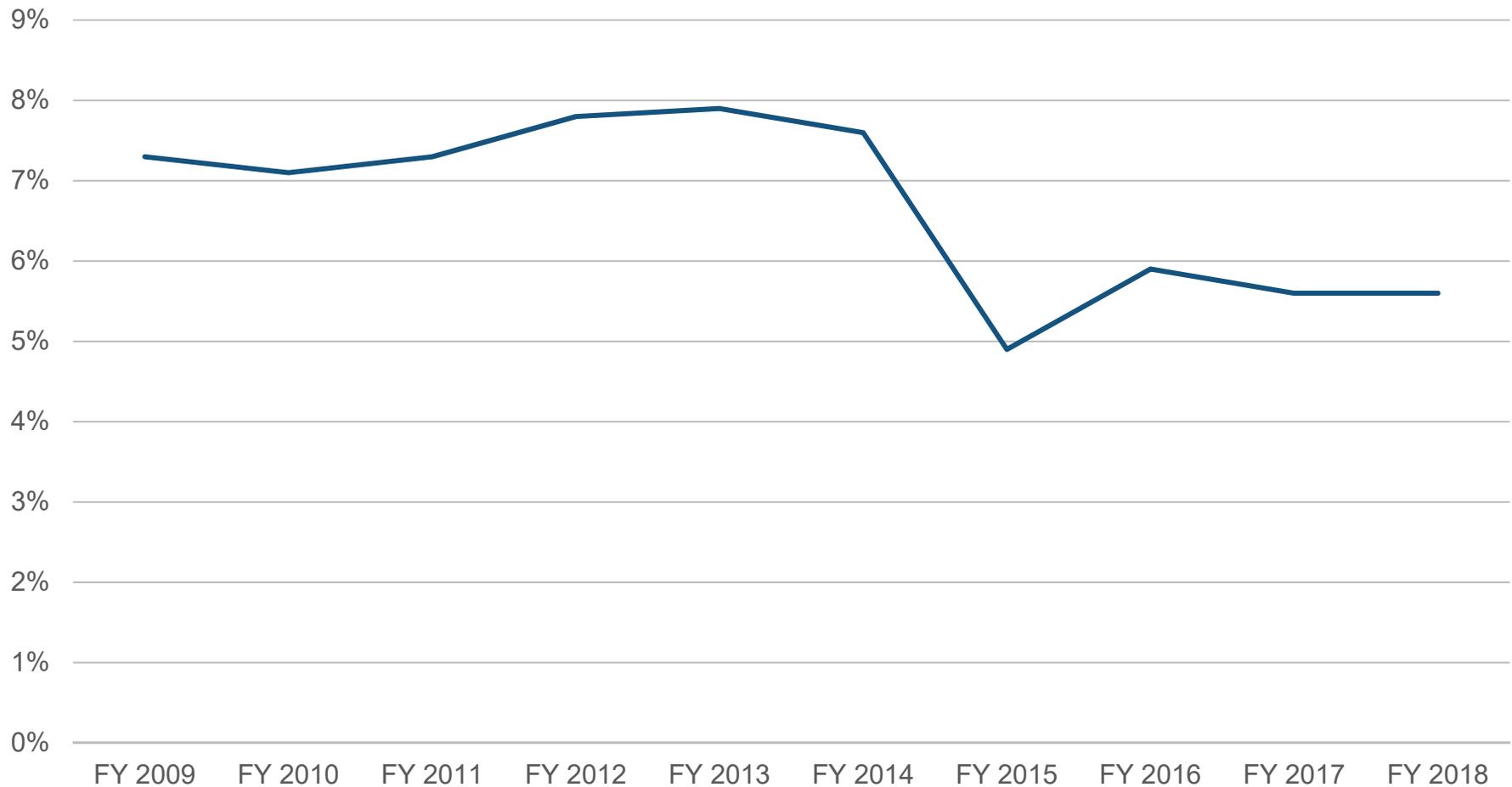
From FY 2008-09 to FY 2017-18, total behavioral health costs have increase by 30%, while administration costs have stayed flat. During the same time period, the number persons served have increased by 5%.



Source: Section 404 and 904 boilerplate reports.

Administrative Cost Percentage

As a percent of total behavioral health costs, behavioral health administration has declined from 7.3% to 5.6%, which appear to be more attributable to services and supports cost increases rather than administrative cost reductions.



Source: Section 404 and 904 boilerplate reports, with HFA calculations.

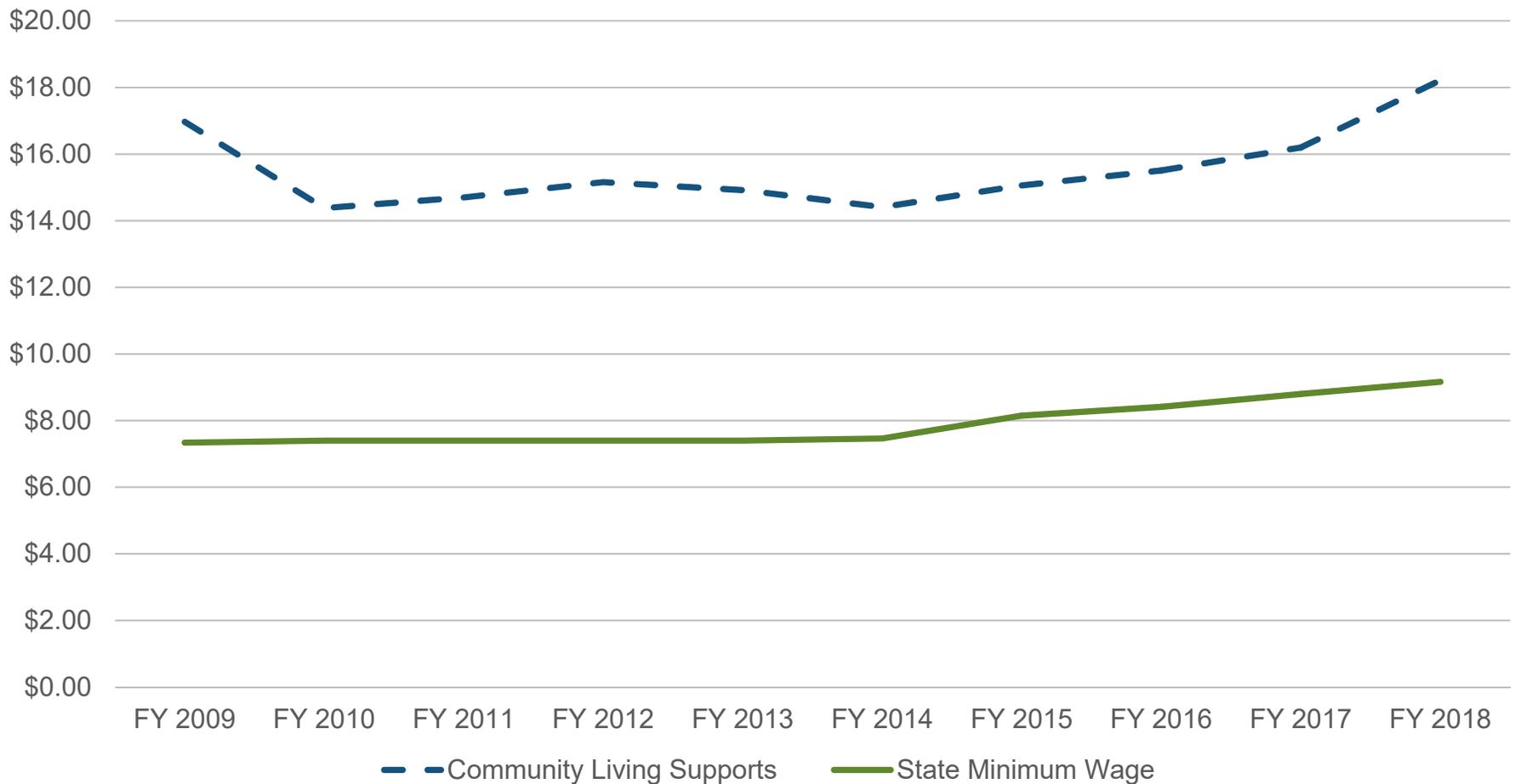
Impact to Provider Reimbursements

Impact to Provider Reimbursements

- Any administrative cost pressures could have an inverse relationship with provider reimbursements as more costs are incurred “upstream” and do not get to the provider level
- Separately, PIHPs could tighten cost containment measures if it believes it is in risk of a financial deficit
- Next few slides review encounter rates and utilization to see whether there have been any changes at the provider level
- Data that follow are based on statewide average per encounter cost, which can not distinguish between agency provider rates and direct provider rates, nor can it directly align to actual reimbursement rates to any specific providers

Community Living Supports Cost Per Encounter

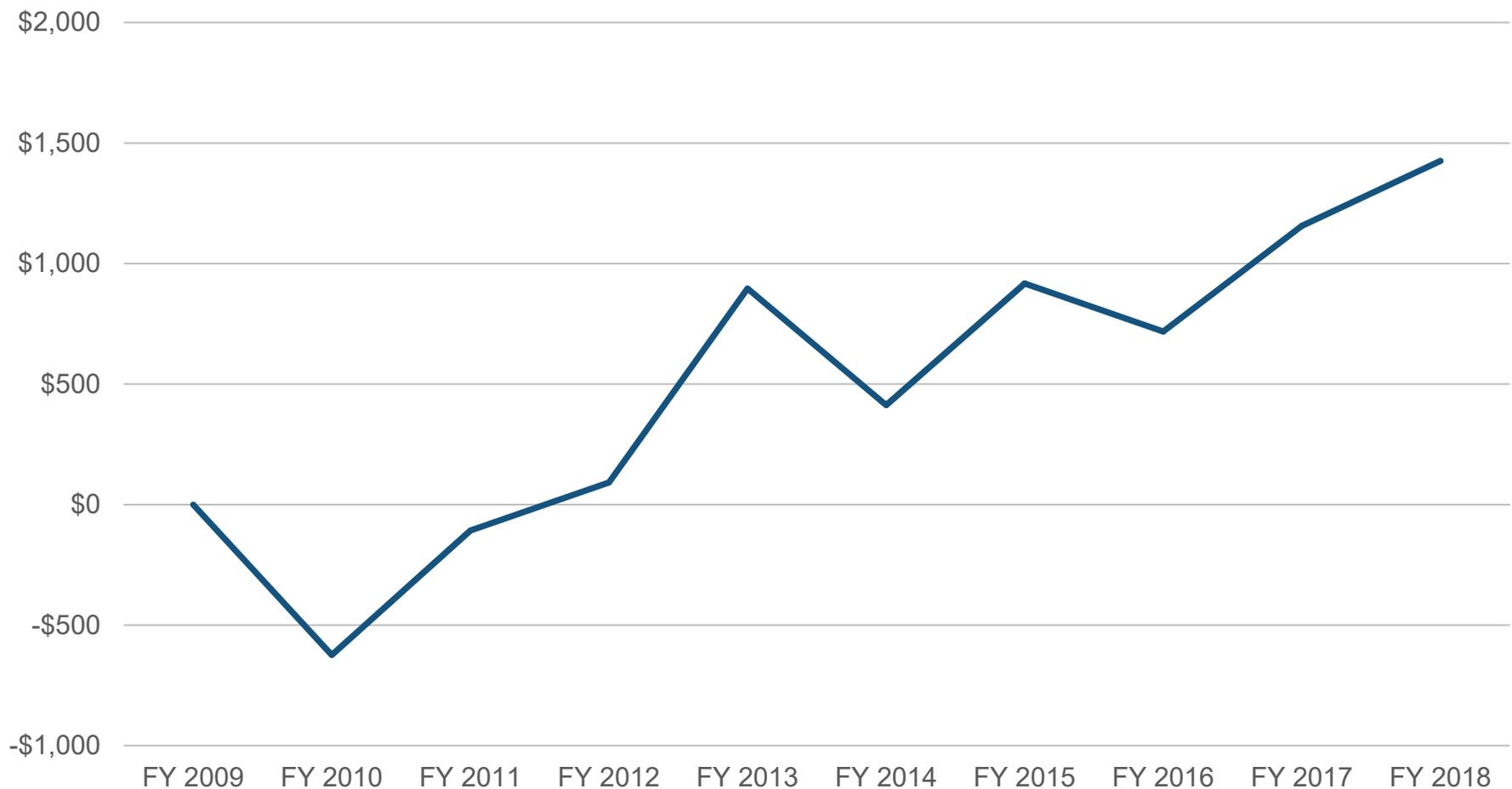
The hourly cost per Community Living Support encounter has, on average, cost \$7.00 more than the state minimum wage, with recent increase partly attributable to legislatively-funded direct care worker wage increase.



Source: Section 404 and 904 boilerplate reports, with HFA calculations.

Community Living Supports Cost Increase Per ID/DD Person Served

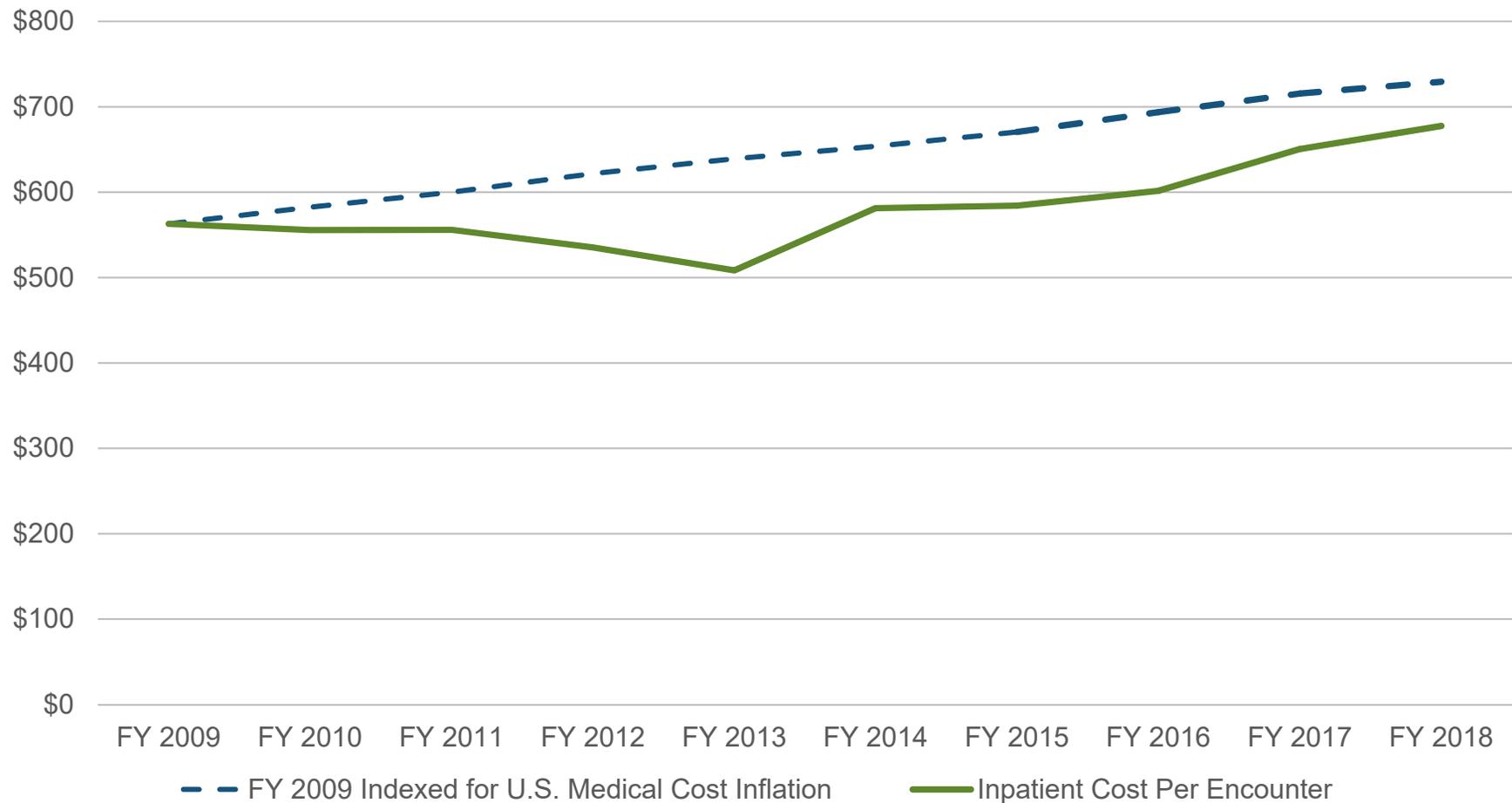
Over the past 10 years, the total cost of Community Living Supports per person with an intellectual or developmental disability has increased by \$1,400 (or 10%) from \$13,750 to \$15,150.



Source: Section 404 and 904 boilerplate reports, with HFA calculations.

Inpatient Cost Per Encounter

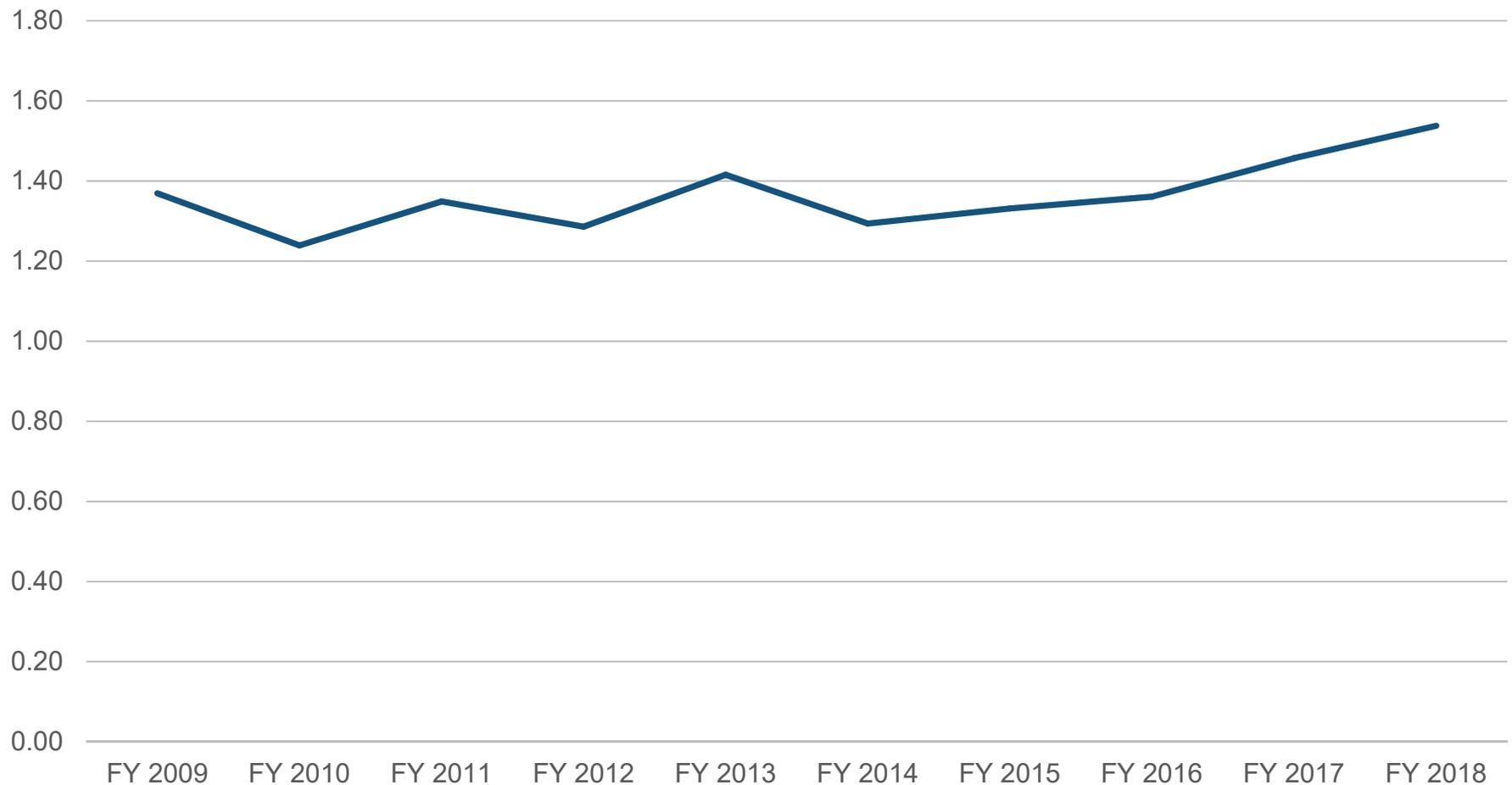
Over the past 10 years, hospital inpatient cost per encounter for adults with serious mental illness has increased by 20%, which is below the rate of general medical cost inflation.



Source: Section 404 and 904 boilerplate reports, with HFA calculations.

Inpatient Utilization Per Adult with Mental Illness Served

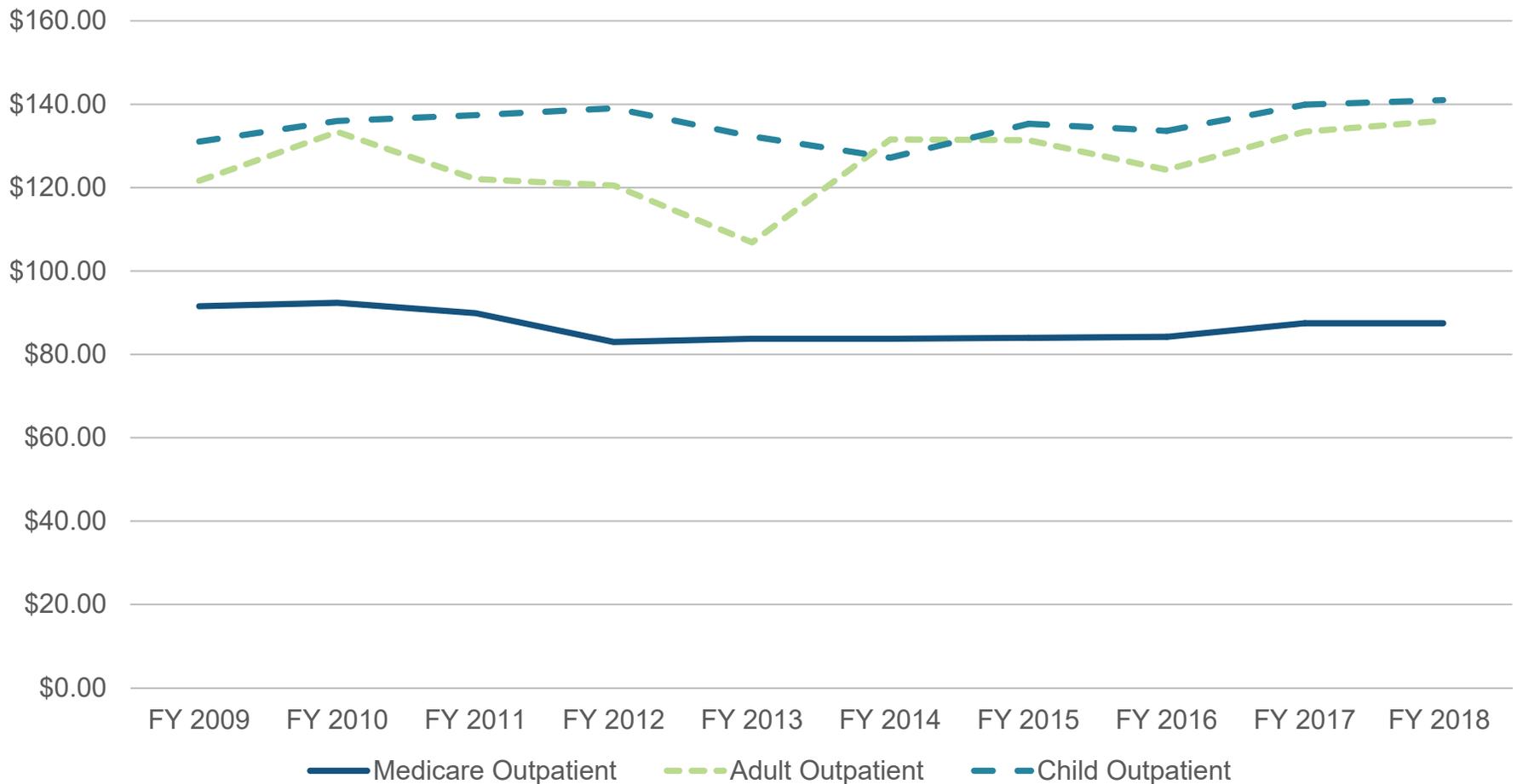
Inpatient utilization has experienced a recent increase to 1.5 encounters per adult with serious mental illness.



Source: Section 404 and 904 boilerplate reports, with HFA calculations.

Outpatient Cost Per Encounter

Using 45 minute psychotherapy encounter as a proxy, outpatient costs per encounter have increased by approximately 10% and have averaged 150% of the relevant Medicare reimbursement rate.



Source: Section 404 and 904 boilerplate reports, with HFA calculations.

For more information about the Health and Human Services budget:

Medicaid and Behavioral Health - Kevin Koorstra, Deputy Director: kkoorstra@house.mi.gov

Briefing: http://www.house.mi.gov/hfa/PDF/Briefings/HHS_Medicaid_BudgetBriefing_fy18-19.pdf

Public Health, Aging/Adult Services - Susan Frey, Senior Fiscal Analyst: sfrey@house.mi.gov

Briefing: http://www.house.mi.gov/hfa/PDF/Briefings/HHS_PH_BudgetBriefing_fy18-19.pdf

Child Welfare Services - Viola Wild, Senior Fiscal Analyst: vwild@house.mi.gov

Public Assistance, Field Operations - Kent Dell, Fiscal Analyst: kdell@house.mi.gov

Briefing: http://www.house.mi.gov/hfa/PDF/Briefings/HHS_HS_BudgetBriefing_fy18-19.pdf

HFA Phone: (517) 373-8080

Other HFA Resources - <http://www.house.mi.gov/hfa/HealthandHumanServices.asp>