



# Reforming Mental Health Medicaid Reimbursement

## Introduction

A tenet of Governor Spitzer's health care reform initiative is to increase access to high quality preventive and ambulatory care and reduce reliance on more costly inpatient and emergency services. To achieve this vision, the Office of Mental Health (OMH) has been working with the Department of Health (DOH) to restructure Medicaid reimbursement for mental health services.

The 2008-09 Executive Budget Recommendation for OMH begins a multi-year transformation effort to improve access to ambulatory mental health care, rationalize reimbursement for mental health clinic services, and reduce inpatient usage. The long-term goal is to develop a new reimbursement methodology based on procedure-based billing systems modeled after Ambulatory Patient Groups (APG) that supports cost-effective, quality care delivered in appropriate settings. Future elements of the multi-year plan include:

- ◆ Phasing out COPS;
- ◆ Establishment of a billing system that is compliant with the Health Insurance Portability and Accountability Act (HIPAA);
- ◆ Improved use of outcome measures;
- ◆ Provisions for indigent care; and,
- ◆ Addressing Medicaid managed care underpayments to clinics.

OMH's plan to reform mental health reimbursement goes hand-in-hand with a multi-year proposal in DOH's Executive Budget Recommendation that starts the transition to the APG payment methodology for general health care provided in ambulatory settings. In addition, the Governor's reimbursement reform initiative includes a proposal to update hospital rates for inpatient psychiatric care by transitioning to a new case-mix adjusted prospective payment methodology.

## 2008-09 Interim Rationalization of Clinic Funding

In the context of the larger multi-year initiative to rationalize mental health clinic funding, the 2008-09 Executive Budget Recommendation for OMH provides \$10 million in gross Medicaid (\$5 million State share) funding which annualizes to \$20 million in gross Medicaid (\$10 million State share) funding to support a

transitional approach to sustaining and expanding the ambulatory care system. This funding will provide fiscal relief for those clinic providers with the lowest reimbursement rates; eliminate barriers to service created by Medicaid neutrality restrictions and COPS volume adjustments; and create savings while retaining the fiscal integrity of COPS-only billings. Details include the following:

- ◆ **Establish minimum reimbursement for clinics licensed solely under Mental Hygiene Law (MHL):** Establishing a minimum clinic reimbursement rate, with providers adjusted proportionately based on geographic regions and participation in the Quality Improvement initiative.
- ◆ **Eliminate COPS volume rebasing and the reconciliation to the COPS threshold:** Under this plan, providers will be rebased one last time. Those who are over their current COPS threshold will be rebased using the latest prior year paid Medicaid visit volume. Providers below their thresholds will be rebased subject to the current regulations. Once providers are rebased, future re-basing of the COPS rate and reconciliation of COPS payments will be eliminated.
- ◆ **Remove the so-called Medicaid "neutrality cap" for mental health clinic services:** This will enable OMH to promote clinic expansion when a need can be appropriately demonstrated through the Prior Approval Review (PAR) process.
- ◆ **Limit COPS-only payments to services for which the managed care plan has provided or approved payment:** To ensure the integrity of the COPS program, providers that serve Medicaid managed care enrollees will be allowed to bill the so-called "COPS-only" rate when they have received, or will receive payment from a managed care company for the base rate.

## Revising Article 28 Hospital Inpatient Psychiatric Rates

The 2008-09 Executive Budget Recommendation includes a multi-year proposal for DOH, in partnership with OMH, to update Article 28 hospital rates for inpatient psychiatric care and transition to a new case-mix adjusted payment methodology. This change is expected to increase inpatient psychiatric reimbursement levels when fully implemented and improve access to this previously under-funded service.



Features of the Article VII bill being advanced include the following:

- ◆ Effective July 1, 2008 through March 31, 2009, the operating cost components of the rate shall be rebased on the following criteria: 75% shall reflect the operating cost component of rates of payment effective for December 31, 2007, while the remaining 25% shall reflect the use of 2005 operating costs as reported by each facility prior to 2008 and adjusted for inflation. This transitional approach is identical to that proposed for non-psychiatric hospital inpatient services.
- ◆ Effective April 1, 2009, acute care hospital inpatient psychiatric services will begin transitioning to a per diem payment system based on the principles of the Medicare Inpatient Psychiatric Prospective Payment System. Adjustments to the per diem will be based on at least the following criteria:
  - ◆ Higher per diem rates at the beginning of an inpatient stay
  - ◆ Case-mix adjusted payment along the lines of Medicare adjustments
  - ◆ Rate adjustments for interrupted stays and readmissions which occur within a to-be agreed upon period of time
  - ◆ A hospital's rate will be adjusted based on whether its emergency status conforms to the requirements of §9.39 of MHL