ISSUE REVIEW

Iowa Legislative Fiscal Bureau

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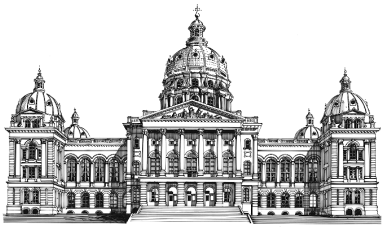


State Capitol
Des Moines, IA 50319
November 16, 1998

Community Mental Health Centers

ISSUE

Recent mental services legislation enacted by the Iowa General Assembly has greatly impacted Community Mental Health Centers (CMHCs), restricting available funding and increasing administrative oversight. This ***Issue Review*** details the changes in, and effects of, CMHC legislation and funding.

AFFECTED AGENCIES

Department of Human Services

CODE AUTHORITY

Chapter 225C, Code of Iowa
Chapter 230A, Code of Iowa
Chapter 249A, Code of Iowa
191 IAC 71.14
441 IAC 23 - 24
441 IAC 78

BACKGROUND

Community Mental Health Centers provide local outpatient services to mentally needy individuals residing or working in a catchment area. The primary goal of CMHCs is to bring treatment, support, and assistance to mentally needy individuals and to proactively resolve mental services needs. Community Mental Health Centers also serve as community resources, working with schools and community groups, offering educational workshops, and conducting community education and consultation on a variety of mental health topics.

A CMHC may be established by a County Board of Supervisors and administered by a Board of Trustees or established as a nonprofit corporation and operated under an agreement with a County Board of Supervisors. The Mental Health and Developmental Disabilities Commission oversees all CMHCs and accredits those satisfying specified performance standards.

As of January 1, 1998, Iowa had 36 CMHCs providing services in 90 of Iowa's 99 counties. **Attachment 1** provides a map and listing of CMHC locations.

CURRENT SITUATION

Community Mental Health Centers have expressed concern over their continuing viability given recent changes in funding availability and accountability standards. The environment in which CMHCs operate has undergone significant change including a limitation on mental services expenditures, a shift to managed care, conversion to fee-for-service funding, and increased data management requirements.

Senate File 69 – County Management Plans: The 1995 General Assembly passed Senate File 69 to reduce county reliance on property taxes by appropriating funds to reduce property taxes attributable to mental services on a dollar for dollar basis. Since that time, counties have been required to limit mental service expenditures to a base year plus growth allocation amount. Senate File 69 also required counties to develop and submit annual County Management Plans to manage mental illness/mental retardation/developmental disability services. County Management Plans have resulted in a two-fold impact on CMHCs:

(1) Shift to Fee-For-Service Funding: Prior to SF 69, CMHCs typically operated under a block grant approach wherein they were given discretion to treat individuals as needed within a specified dollar amount. They served all persons working or living in a catchment area, and billed clients according to a sliding fee scale devised by the Center providing the service. The Senate File 69 requirement that counties submit County Management Plans transformed this traditional funding practice. Counties began developing service budgets and funding criteria. They established procedures with which all providers, including CMHCs, were required to comply as a condition of funding. One of these procedures was a shift from block grant funding to fee-for-service funding.

A 1998 study found that the number of CMHCs receiving block grant funding decreased from 73.3% in FY 1994 to 30.0% in FY 1998. The number of CMHCs receiving strict fee-for-service funding increased from 3.3% in FY 1994 to 13.3% in FY 1998. The number of CMHCs receiving a combination of the two funding methods rose from 23.3% to 53.3% over the same time period.

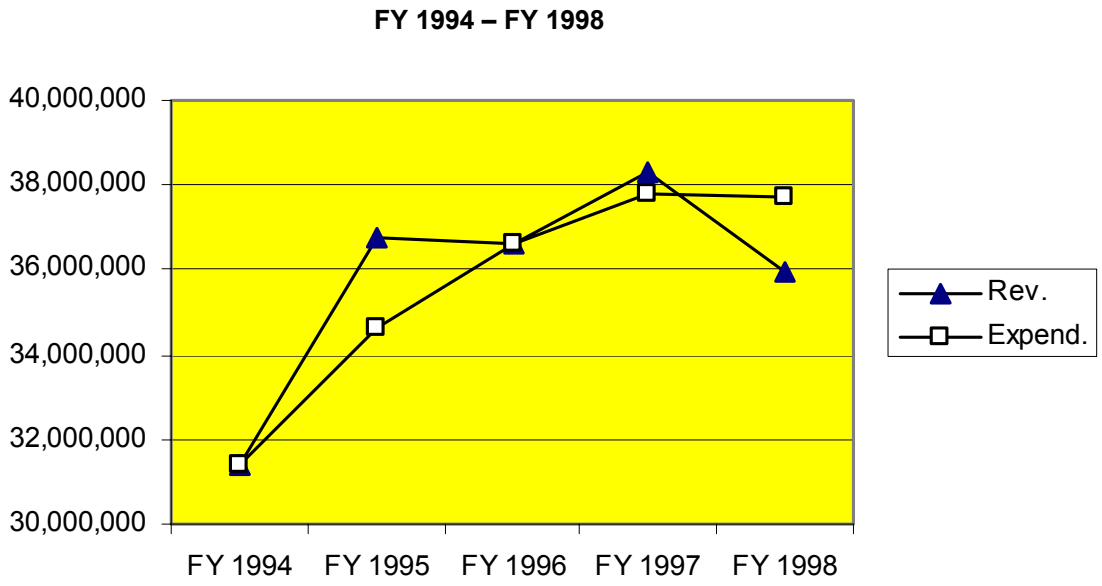
As CMHCs moved to the fee-for-service approach, many learned that county funds had previously been used to subsidize payments received from other funding sources, including Medicaid and private insurers. Reimbursements received through the Medical Assistance program regularly fell short of the actual cost of service delivery. For example, a 1996 rate survey found that the average actual cost of physician services approximated $174.61/per hour. Community Mental Health Centers, however, received physician services reimbursements of only $123.00/hour.

The shortfall in Medical Assistance reimbursements has been particularly harmful to CMHCs because a February 1998 DHS study indicates that CMHCs provide 48% of their outpatient services to Medicaid enrollees. When Medicaid reimbursements fall short of actual costs, the cumulative operating loss threatens the sustainability of the Centers. Because county funds are no longer block granted but are paid to CMHCs on a fee-for-service basis, CMHCs do not receive excess county funds with which to offset deficits.

Figure 1 illustrates the cumulative FY 1994 through FY 1998 revenues and expenditures of 26 CMHCs who responded to a 1998 DHS survey:

Figure 1

CMHC Revenues and Expenditures



(2) Increased Administration: A related outgrowth of County Management Plans has been increased accountability and administration. The shift to fee-for-service funding has necessitated increased collection and data processing efforts as CMHCs have been required to comply with the reporting, certification, and payment filing procedures of various service purchasers. The variant eligibility and claiming procedures of each county served by a CMHC create an administratively cumbersome filing process, particularly for those CMHCs whose catchment areas include numerous counties. Moreover, a CMHC serving more than one county must contend with the variation in sliding fee scales and services offered in the County Management Plan of each county. Community Mental Health Centers must track each patient's county of legal settlement and assure that only services included in the patient's County Management Plan are made available.

In addition, County Management Plans are required to include procedures for meeting State requirements for service, cost tracking, and quality assurance. The plans specify a minimum data set that is required to be collected of each individual receiving mental services, and CMHCs must record and report this information. These data reporting requirements have further expanded record management responsibilities.

Managed Care -- Merit Behavioral Care, Inc.: In March 1995, Iowa issued a managed care contract to Merit Behavioral Care, Inc. (Merit) for behavioral health services. All mental services for Medicaid eligible individuals under the age of 65, with the exception of Psychiatric Medical Institutions for Children (PMICs), those on Medically Needy with a cash spend-down, and those in State Hospital-Schools are included in the current managed care contract.

Community Mental Health Centers became eligible to serve Medicaid clients under the managed care contract by applying to Merit. All CMHCs that had previously served Medicaid eligible clients applied to Merit and were included in Merit's panel of providers. Under the managed care contract, CMHCs receive a unit reimbursement rate for all precertified services.

For CMHCs, the rates set by Merit are generally higher than rates previously paid by the non-managed care Medicaid agent. A graphic depicting total Medicaid payments to CMHCs pre- and post-implementation of the Merit contract is included as **Attachment 2.** Although the Merit

reimbursement rates exceed previous rates, the reimbursements provided by Merit still fall below the actual cost of service delivery**.** The 1996 rate survey example of physician services being reimbursed at 70.4% of costs illustrates the reimbursement shortfall. The survey also identified similar reimbursement deficiencies in other services including nursing and day treatment. A portion of the rate survey is included as **Attachment 3.**

To redress the reimbursement concerns of CMHCs, Merit has provided several rate increases beginning with a 10.0% increase in 1995 for all outpatient services. Since that time, rate increases have been targeted toward specific services or treatments. A history of Merit reimbursement rate increases is provided in **Attachment 4**.

State Funding of CMHCs: Through the Medical Assistance Program, the State provides funding to CMHCs for service delivery and inflation increases. The State also administers a federal grant serving CMHCs and negotiates reimbursement rates with the managed care provider.

(1) Funding to CMHCs: In FY 1999, the General Assembly approved a 16.85% increase to equalize the rates paid to CMHCs by the State with rates paid to CMHCs by other payors. The General Assembly also approved $5,000 to provide a 2.0% inflationary increase for CMHCs. The State budget for CMHC service delivery for FY 1995 through FY 1999 is provided in **Figure 2**.

Figure 2

State Funding for CMHC Services	
FY 1995	$1,583,000*
FY 1996	167,300
FY 1997	260,522
FY 1998	355,785
FY 1999	278,673

*State funding to counties for CMHCs decreased subsequent to FY 1995 because the MHAP was implemented beginning in FY 1996, and many CMHC clients became eligible for services through the managed care contract.

The 1998 General Assembly enacted HF 2558 (1998 Mental Health, Developmental Disability, and Substance Abuse Service, Commitment, and Payment Act) requiring the DHS to establish appropriate reimbursement rates for CMHCs and to phase the rates in over a three-year period beginning July 1, 1998. The DHS responded by providing the 2.0% inflation increase and 16.85% rate equalization adjustment mandated in SF 2410 (FY 1999 Human Services Appropriations Act) and described in the preceding paragraph. The DHS has requested an additional 5.0% increase in FY 2000 and plans to continue meetings with the CMHC Association and the Iowa Association of Counties to further address HF 2558.

(2) Federal Block Grant: The DHS administers the federal Community Mental Health Services Block Grant Fund and contracts a portion of available funding to local mental service providers to fund development of new services. The FY 1998 Intended Use Plan for the Block Grant allocated $1.8 million for CMHCs. This is an increase of $700,000 over FY 1994 funding.

The funds are not block granted to providers, but instead are contracted to either CMHCs or any “Other Mental Health Service Provider” designated by a county administrator if a county is not served by a CMHC. Each CMHC or other provider submits an application for an allocated

dollar amount in response to a Request for Proposals. The DHS evaluates the bids based upon population served and existence of alternative providers. Claims of approved contractees are then submitted for reimbursement to the DHS according to a contract work plan and budget.

ALTERNATIVES

- *Limit services provided and patients served*: Community Mental Health Centers could re-design their service delivery, and choose to serve only persons and provide only services with identifiable reimbursement funding sources. This option would require CMHCs to either cease their community outreach efforts, or identify billable entities. The issue of third-party underpayments still would need to be resolved.
- *Manage Administrative and Service Costs*: Community Mental Health Centers could work to limit expenditures to remain within the amounts being reimbursed. The Centers would need to increase efficiencies and reduce overhead, perhaps through mergers of smaller Centers. This option may be impracticable to carry out without severely undermining the efficacy of service delivery, particularly given the increased administrative requirements of the changing mental services environment.
- *Sunset CMHCs:* It could be determined that CMHCs no longer efficiently meet the changing needs of the community and should be sunseted. This alternative, however, would require a cost-effective alternative treatment option to serve individuals currently being treated by CMHCs.
- *Improve Private Insurance Coverage:* Community Mental Health Centers believe there currently exists inequity among insurance coverage of mental health and insurance coverage of physical health. Lifetime maximum mental health benefits commonly fall below the limits placed on physical health benefits. For this reason, some persons served by CMHCs are ineligible for indemnification. Current administrative rules require insurers to provide lifetime maximum mental health benefits of $50,000 or more. The 1999 General Assembly may wish to review mental health service costs and determine if the $50,000 maximum is sufficient to provide parity among insurance benefits.
- *Provide State Block Grant Funding:* The State could assume responsibility for direct funding of CMHCs. The State could appropriate funding in the form of block grants which support the services of CMHCs without requiring the administrative requirements of fee-for-service funding.

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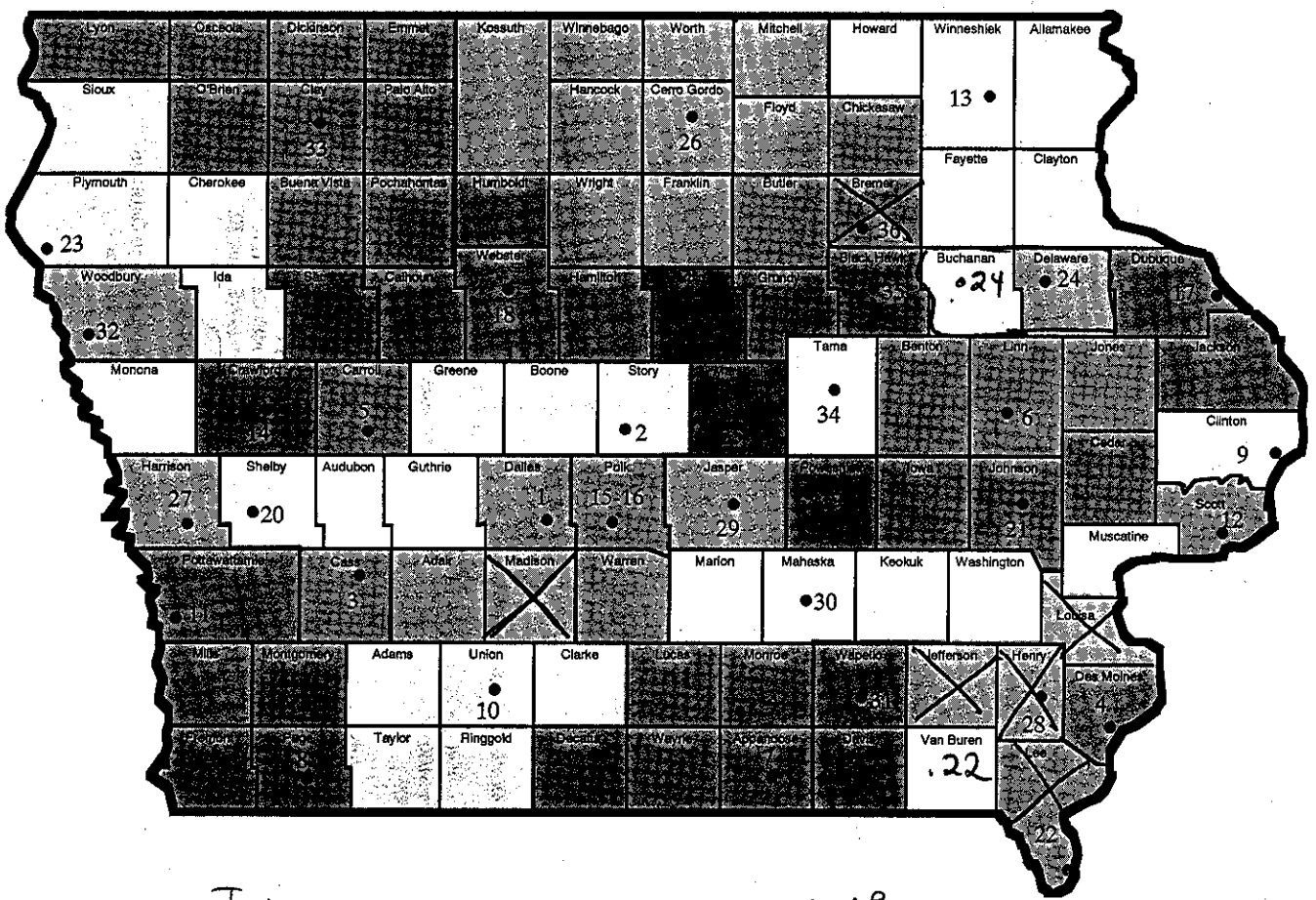
Community Mental Health Centers

IOWA COMMUNITY MENTAL HEALTH CENTERS

Location and Area



1. Adel-West Central Mental Health Center
2. Ames-The Richmond Center
3. Atlantic-Southwest Iowa Mental Health Center
4. Burlington-Touchstone Behaviorial Counseling
5. Carroll-Carroll Regional Counseling Center
6. Cedar Rapids-Abbe Center for Community Mental Health
7. Centerville-Rathbun Area Mental Health Center
8. Clarinda-Waubonsie Mental Health Center
9. Clinton-Heartland Center
10. Creston-Crossroads Mental Health Center
11. Council Bluffs-The Mercy Center
12. Davenport-Vera French Community Mental Health Center
13. Decorah-Northeast Iowa Mental Health Center
14. Denison-West Iowa Community Mental Health Center
15. Des Moines-Des Moines Child & Adolescent Guidance Center
16. Des Moines-Eyerly-Ball Community Mental Health Services
17. Dubuque-Gannon Center for Community Mental Health
18. Fort Dodge-North Central Iowa Mental Health Center
19. Grinnell-Poweshiek County Mental Health Center
20. Harlan-Prairie Rose Mental Health Center
21. Iowa City-Mid-Eastern Iowa Community Mental Health Center
22. Keokuk-River Center For Community Mental Health
23. LeMars-Plains Area Mental Health Center
24. Manchester-Delaware County Mental Health Center
25. Marshalltown-Mental Health Center of Mid-Iowa
26. Mason City-Mental Health Center of North Iowa
27. Missouri Valley-Harrison Community Mental Health Center
28. ~~Mt. Pleasant Community Mental Health Center of Henry, Louisa & Jefferson Counties~~ (CLOSED)
29. Newton-Capstone Center
30. Oskaloosa-South Central Mental Health Center
31. Ottumwa-Southern Iowa Mental Health Center
32. Sioux City-Siouxland Mental Health Center
33. Spencer-Seasons Center for Community Mental Health
34. Toledo-Mental Health Clinic of Tama County
35. Waterloo-Black Hawk-Grundy Mental Health Center
36. Waverly-Cedar Valley Mental Health Center

Attachment 1

THERE IS NOT A NEW MAP.
NOTE: MADISON CO. DROPPED AFFILIATION
BREMER CO. DROPPED AFFILIATION
LEE CO. DROPPED AFFILIATION

BUCHANAN CHANGED AFFILIATION
MT. PLEASANT CMHC CLOSED

COMMUNITY MENTAL HEALTH CENTERS OF IOWA
(Alpha by City)

Adel-West Central Mental Health Center
2111 W. Green St.
Adel 50003
(515) 993-4535

Ames-The Richmond Center
600 Fifth Street
Ames 50010
(515) 232-5811

Atlantic-Southwest Iowa Mental Health Center
1408 East 10th
Atlantic 50022
(712) 243-2606

Burlington-Touchstone Behavioral Counseling
407 North 4th
Burlington 52601
(319) 754-4618

Carroll-Carroll Regional Counseling Center
Box 754
Carroll 51401
(712) 792-5728

Cedar Rapids-Abbe Center for Community Mental Health
520 11th Street NW
Cedar Rapids 52405
(319) 398-3562

Centerville-Rathbun Area Mental Health Center
Box 886, 211 East State
Centerville 52544
(515) 856-6471

Clarinda-Waubonsie Mental Health Center
N. 16th Street Box 457
Clarinda 51632
(712) 542-2388

Clinton-Heartland Center
320 Tucker Building
Clinton 52732
(319) 243-5633

Council Bluffs-Alegent Health/Mercy Center
427 Kanesville Blvd 4th Floor
Council Bluffs 51501
(712) 328-2609

Creston-Crossrods Mental Health Center
1003 Cottonwood
Creston 50801
(515) 782-8457

Davenport-Vera French Community Mental Health Center
1441 W. Central Park Ave.
Davenport 52804
(319) 383-1900

Decorah-Northeast Iowa Mental Health Center
305 Montgomery Street
Decorah 52101
(319) 382-3649

Denison-West Iowa Community Mental Health Center
147 North 7th
Denison 51442
(712) 263-3172

Des Moines-Des Moines Child & Adolescent Guidance Center
1206 Pleasant
Des Moines 50309
(515) 244-2267

Des Moines-Employee and Family Resources (EFR)
505 5th Avenue, Suite 930
Des Moines 50309-2316
(515) 288-9020

Des Moines-Eyerly-Ball Community Mental Health Services
1301 Center Street
Des Moines 50309
(515) 243-5181

Dubuque-Gannon Center for Community Mental Health
880 Locust Suite 200
Dubuque 52001
(319) 582-0145

Fort Dodge- North Central Iowa Mental Health Center
720 Kenyon Rd.
Fort Dodge 50501
(515) 955-7171

Grinnell-Poweshiek County Mental Health Center
96 Fourth Avenue
Grinnell 50112
(515) 236-6137

Harlan-Prairie Rose Mental Health Center
Myrtue Memorial Hospital
1303 Garfield Avenue
Harlan 51537
(712) 755-5056

Iowa City-Mid-Eastern Iowa Community Mental Health Center
505 East College Street
Iowa City 52240
(319) 338-7884

Keokuk-River Center for Community Mental Health
208 Bank Street
Keokuk 52632
(319) 524-3873

Le Mars-Plains Area Mental Health Center
21 1st Avenue NE Box 70
Le Mars 51031
(712) 546-4624

Manchester-Delaware County Mental Health Center
709 W. Main St.
Manchester 52057
(319) 927-7330

Marshalltown-Mental Health Center of Mid-Iowa
Nine North 4th Avenue
Marshalltown 50158
(515) 752-1585

Mason City-Mental Health Center of North Iowa
235 S. Eisenhower
Mason City 50401
(515) 424-2075

Missouri Valley-Harrison County Community Mental Health Center
Community Memorial Hospital
631 North 8th Street
Missouri Valley 51555
(712) 642-2045

Mount Pleasant-Community Mental Health Center of Henry, Louisa & Jefferson Counties
106 N. Jackson Box 654
Mount Pleasant 52641
(319) 385-8051

Newton-Capstone Center
306 North Third Avenue East
Newton 50208
(515) 792-4012

Oskaloosa-South Central Mental Health Center
1229 C Avenue East
Oskaloosa 52577
(515) 673-7406

Ottumwa-Southern Iowa Mental Health Center
110 East Main
Ottumwa 52501
(515) 682-8772

Sioux City-Siouxland Mental Health Center
625 Court Street
Sioux City 51101
(712) 252-3871

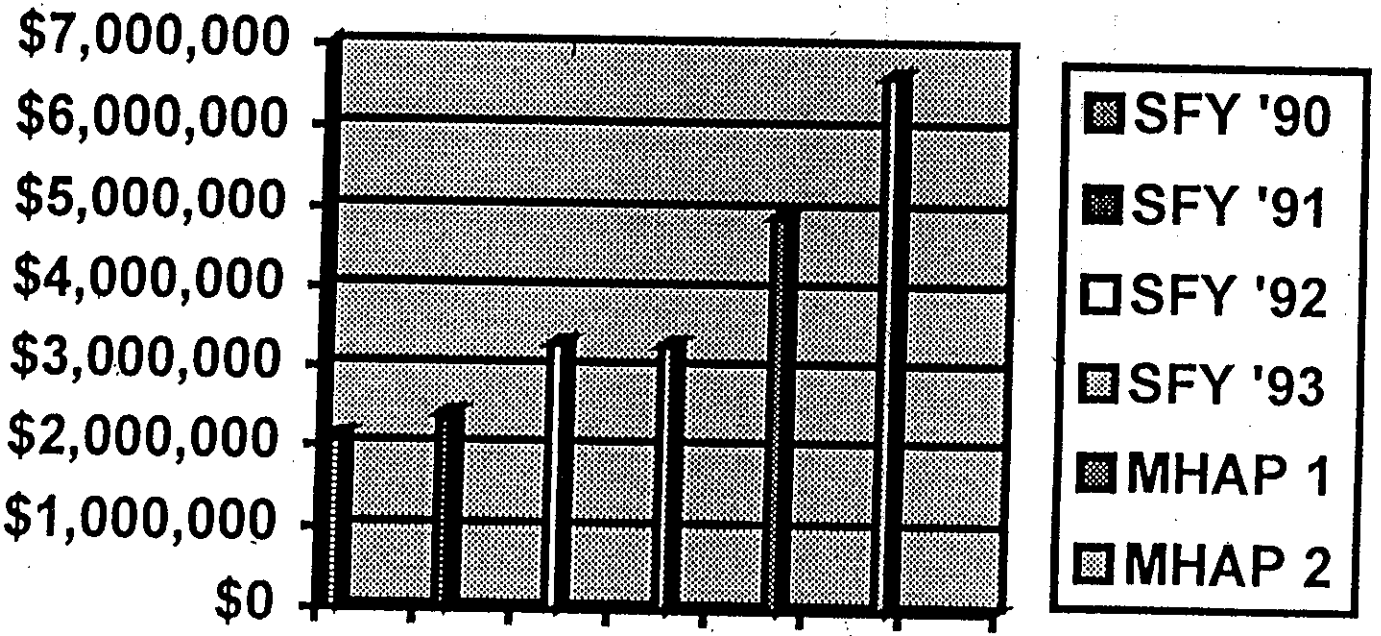
Spencer-Seasons Center for Community Mental Health
201 E. 11th Street
Spencer 51301
(712) 262-2922

Toledo-Mental Health Clinic of Tama County
1307 South Broadway Box 40
Toledo 52342
(515) 484-5234

Waterloo-Black Hawk-Grundy Mental Health Center
3251 West Ninth Street
Waterloo 50702
(319) 234-2893

Waverly-Cedar Valley Mental Health Center
111 10th Street, SW
Waverly 50677-0114
(319) 352-2064

Medicaid Payment to CMHC's



Attachment 2

RFI 8649 – Legislative Fiscal Bureau – Questions # 1 and 2

IOWA DEPARTMENT OF HUMAN SERVICES
COMMUNITY MENTAL HEALTH CENTER SURVEY
FOR PERIOD ENDED JUNE 30, 1996

August 1, 1997

CMHC Survey Analysis

Executive Summary

- Overview

This community mental health center survey and analysis has been designed to:

- Identify the actual costs CMHCs incur in the delivery of services.
- Analyze CMHC costs and compare these costs with other providers of services.
- Show to what extent the rates paid by various payors cover CMHC costs.
- Draw conclusions from the data

- Reporting of Actual Costs

The 36 CMHCs operating in Iowa were invited to complete a standardized cost report which would allow cost analysis and comparison with center identification remaining confidential. A total of 35 CMHCs responded with cost information.

- Special Circumstances Identified in Cost Analysis

Factors identified by interested entities as having special impact on costs were:

- Location (i.e., rural or urban)
- Children's services (i.e., whether a significant percentage of a centers services were focused on children.

A summary of data collected and conclusions drawn from this data are found on the following three pages.

- Conclusions from the Data

- None of the sample of payors identified reimburse the full cost of services for most centers. It is possible that payors identified may not be representative of all third party payors.

- The percentage of administrative cost to total cost is higher for CMHCs than for many service providers (see Percentage of Distribution of Costs Compared to Other Programs- Page 13)- further analysis of costs necessary to provide administrative support should be considered by CMHCs.

- The ratio of billable to non-billable hours for many CMHCs appears to be low (see Analysis of Productivity- Pages 21 and 22).

- To the extent loss of billable hours is related to provision of community education, prevention type services, and other non-billable activities; consideration should be given to separating these activities from treatment costs and seeking alternative funding for these activities.

- To the extent that loss of billable hours is related to "no shows" for appointments, Merit is willing to provide technical assistance.

- Indigent services are a significant portion of CMHC business--great than 50 percent.

Community Mental Health Center Unit Cost Surveys
Comparison of Cost per Unit for All Centers Reporting to Current Payment Rates
For Period July 1995 through June 1996
EXCLUDING OUTLIER RATES

Service:	Total Per + Unit Cost	Merit Rate	Variance	Unisys Rate	Variance	Alliance Select Rate	Variance	Principal Rate	Variance	Blue Cross UCR Rate	Variance	Medicare Rate	Variance
Outpatient (Blended)	100.32	75.83	-24.49	52.63	-47.70								
MD/DO	174.61	123.00 #	-51.61	76.60 *	-98.01	114 !	-60.61	135 @	-39.61	123 ^	-51.61	121.32 &	-53.29
Phd	90.60	55.00 ##	-35.60	44.76 **	-45.84	75 !	-15.60						
Masters/RN	87.76	49.50 ###	-38.26	36.52 ***	-51.24	60 !	-27.76						
Day Tx	57.01	55.00	-2.01	62.60 ****	5.59								
CSP	162.47	165.00 ####	2.53	N/A									

+: Total Per Unit Cost is computed by taking total reported costs divided by total reported units.

*: 19.15/15 min period
**: 11.19/15 min period
***: 9.81 or 8.45/ 15 min period for Masters or RN services
****: 12.52/ hour for 4-6 hour days, shown at 5 hours

#: 41.00/20 min period for Med Checks effective 7/1/97
##: 1 hr psychotherapy (90843/90844) or family therapy (90847) effective 7/1/97
###: 1 hr of psychotherapy (90843/90844) or family therapy(90847) rates effective 7/1/97
####: Rates range from $110 to $220, a blended rate was used

!: 38.00/20 min period for Med Checks, effective 1/1/97
!!: For service code 90844-Individual Psych Therapy
@: 45/20 min period for Med Checks, effective 1/1/97
^: 41/20 min period for Med Checks, effective 8/1/97
&: 40.44/20 min period for Med Checks, effective 1997

Day Tx: Day Treatment
CSP: Community Support Program

RFI 8649 – Legislative Fiscal Bureau – Question # 3

Reimbursement Rate Increase History – Mental Health Access Plan
Merit Behavioral Care

March 1, 1995 – Approximately a 10% increase:
- For all outpatient services

November 1, 1996 – 10% increase for:
- Low Intensity Community Support Services
- High Intensity Community Support Services
- Added a new level of Community Support Services: Intensive Community Support at $400

July 1, 1997 – 10% increase for the following CPT codes:
- 90844 (individual psychotherapy 50 minute) & related "W" codes
- 90843 (individual psychotherapy 25-30 minute) & related "W" codes
- 90847 (family/couples psychotherapy) & related "W" codes

July 1, 1997 – 17% increase for the following CPT codes:
- 90862 (medication management) & related "W" codes
- W3372 (Clozapine medication management)

July 1, 1997 – Increase to $100/visit for the following CPT codes:
- 99221, 99222,99223 (initial hospital care visits)

July 1, 1998 – 10% (approximate, some codes were higher) increase for the following CPT codes:
- 90801 (initial evaluations by an MSW, RN, PhD) & related "W" codes
- 96100 (psychological testing by PhD) & related "W" codes
- 90844 (individual psychotherapy 50 minute) & related "W" codes
- 90843 (individual psychotherapy 25-30 minute) & related "W" codes
- 90847 (family/couples psychotherapy) & related "W" codes

Note: The following information was not available:

- *Information on the amount of increases CMHCs requested from Merit versus the amount of the increases they actually received.*

- *Information on the actual costs claimed by CMHCs versus the amount that was actually reimbursed.*