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Overview of Mental Health
Services Funding

Disability and Behavioral Health Services
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Chairman Crum and members of the Committee, thank you for the opportunity to appear before you today to present the Overview of Mental Health Services Funding. I am Ray Dalton, Deputy Secretary of Social and Rehabilitation Services.

The attached chart summarizes major categories of mental health services funding from FY 2002 through the FY 2012 Governor's Budget Recommendation.

State Aid

State Aid is awarded to community mental health centers (CMHCs) pursuant to K.S.A. 65-4434. State aid provides funding for CMHCs to meet their statutory and regulatory mandates; the most expensive of which is providing 24 hour a day seven day a week mental health crisis and emergency response services.

Consolidated Grants

Consolidated grants are awarded to CMHCs to defray the cost of serving persons who are not Medicaid eligible, are uninsured or underinsured, and cannot pay the full cost of their needed mental health treatment and supports. The consolidated grants include state general funds, federal mental health block grant funds; and, from FY 2002 through FY 2005 Federal Social Services Block Grant.

All persons receiving CMHC services without a third party payer source are charged a fee based on their ability to pay. People paying fees are generally poor, so fees do not come near the cost of providing services. Consolidated grants fund the remaining unreimbursed costs to serve people without a payer source.

Part of the grants shown from FY 2002 through FY 2007 were "certified" as match for the state share of Medicaid. Starting in late 2006, the Centers for Medicare and Medicaid Services (CMS) began to closely scrutinize and regulate these "certified match" arrangements. In FY 2008, in response to CMS concerns, \$9.2 million was shifted from grants to the mental health Medicaid budget and the certified match process was discontinued.

From FY 2008 to FY 2010 consolidated grants were cut \$10.9 million. When this occurred, SRS modified the CMHC grant agreement to, for the first time, allow CMHCs to delay services to persons who did not have a severe mental illness and were not likely to experience a mental health crisis that might result in adverse consequences such as: harming themselves or others; experiencing serious mental health deterioration, homelessness, incarceration; or being admitted to a mental health residential or inpatient facility.

Family Centered System of Care

Children's Initiative Funds support the CMHCs' Family Centered System of Care (FCSC) programs. Children's Initiative Funds come from the tobacco settlement. Revenue from this source is expected to decline in the future. FCSC programs provide a full range of outpatient, mental health medical, mental health rehabilitation, and care coordination for children who are not Medicaid eligible, are uninsured or underinsured, and cannot pay the full cost of their care. Like those served with the consolidated grant, families without a third party payer are charged a fee for their services based on their ability to pay. As with the consolidated grants, those paying fees are generally poor, so the fees do not cover the cost of services. The costs of unreimbursed services are funded by the FCSC grants.

Medicaid Funded Community Mental Health Services

Since FY 2008, Medicaid funded community mental health services are paid primarily through a managed care entity, Kansas Health Solutions (KHS). KHS reimburses medically necessary services provided to Medicaid eligible Kansans provided by certified, enrolled providers. KHS pays any qualified, enrolled mental health practitioners to provide outpatient therapy or mental health medical services (i.e., mental health medication prescribing and medication management). Payments for these providers are shown on the chart under "Private Medicaid Practitioners." Prior to FY 2008 Medicaid only reimbursed psychiatrists and Ph.D. psychologists.

In addition, KHS requires community mental health centers (CMHCs) to provide or arrange to provide mental health rehabilitation, support services, and care coordination for persons with the most severe mental illnesses. Payments for these services are shown under "*Community Mental Health Centers Funding for Medicaid Recipients.*"

The cost of Medicaid funded community mental health services has continued to rise in recent years. The increased cost from FY 2008 through FY 2010 is a result of an increase in:

- The number of people served (75 percent of the increase);
- The number of people with the most severe mental illnesses (13 percent of the increase);
- The amount of services provided per person (12 percent of the increase);
- None of the increase is due to reimbursement rates, which were not raised during this time.

These same trends were used to forecast the FY 2011 and FY 2012 consensus caseload estimate.

Consistent with the Governor's goal of improved Medicaid services at lower costs, KHS and SRS have identified the following priority initiatives to improve the quality of Medicaid funded community mental health services while controlling costs:

- Utilization Review - KHS' utilization review practices will identify and eliminate unnecessary high utilization with the goal to demonstrate savings compared with the FY 2011 Fall Consensus Caseload Estimate in both FY 2011 and FY 2012.
- Intensive Services for Persons with Extraordinary Needs – KHS will focus efforts on ensuring effective community services are provided to persons with extraordinary needs so they can be safely and effectively served resulting in a measurable reduction in the need for inpatient and residential treatment admissions.
- Care Coordination – KHS will improve care coordination between physical and mental health treatment for persons with severe mental illness and other chronic health conditions resulting in improved health and wellness and a reduction in Medicaid funded physical health costs.
- Prescriber Practices – KHS will help identify concerning mental health medication prescriber practices for children in state custody or the SED Waiver and provide expert clinical guidance to improve practices where problems are found.

SRS will closely monitor the effectiveness of these priority initiatives.

Residential Services

Medicaid eligible persons with mental illness who cannot be safely or effectively served in the community are often admitted to residential treatment facilities. Nursing Facilities for Mental Health (NF/MHs) provide this service for adults. Psychiatric Residential Treatment Facilities (PRTFs) provide this service for children and adolescents. Both NF/MHs and PRTFs are reimbursed based on per diem rates established using periodic cost reports that are subject to a variety of cost limits.

State Mental Health Hospitals

Kansas' three state mental health hospitals are the public inpatient mental health safety net. They admit all persons CMHCs determine cannot be safely and effectively treated in the community and who CMHCs screen and find appropriate for admission. State mental health hospitals serve these persons on a no eject, no reject basis.

In summary, The Governor's Budget Recommendation was favorable for SRS. In particular all of SRS' consensus caseload increases were funded. The shifting of \$200 million from transportation funds made this possible for SRS and other agencies with consensus caseload increases. This means that overall SRS' budget was not affected as severely as other state agencies.

HISTORY OF MENTAL HEALTH SERVICES EXPENDITURES

	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>	<i>FY 2006</i>	<i>FY 2007</i>	<i>FY 2008</i>	<i>FY2009</i>	<i>FY2010</i>	<i>FY2011 GBR</i>	<i>FY2012 GBR</i>
COMMUNITY MENTAL HEALTH CENTERS											
<i>FUNDING FOR UNINSURED & INFRASTRUCTURE</i>											
State Aid	10,233,297	7,733,297	10,233,297	10,233,297	10,233,297	10,233,297	10,233,297	10,233,297	10,233,297	10,233,297	0
Consolidated Grants	28,268,698	25,874,024	28,210,049	28,220,130	31,082,431	31,066,300	21,874,340	20,074,340	10,890,993	10,890,993	10,890,993
Mental Health Block Grant	2,728,707	2,728,707	2,851,707	2,748,707	2,649,857	2,465,801	2,465,801	2,465,801	2,465,801	2,465,801	2,465,801
Federal Social Services Block Grant	2,934,316	5,270,343	2,934,317	3,179,236							
Family Centered System of Care and Other CIF	4,937,000	5,937,000	5,937,000	5,937,000	5,937,000	5,721,944	5,000,000	5,000,000	5,000,000	4,850,000	0
Sub-Total Grants	49,102,018	47,543,371	50,166,370	50,318,370	49,902,585	49,487,342	39,573,438	37,773,438	28,590,091	28,440,091	13,356,794
<i>FUNDING FOR MEDICAID RECIPIENTS</i>											
Direct Medicaid Payments	51,443,665	63,134,616	71,261,033	84,868,054	65,816,299	72,857,974	166,246,701	170,578,640	176,396,005	193,074,041	199,950,872
Medicaid Certified Match Grant	11,573,081	15,645,154	16,519,850	19,562,865	19,678,394	18,508,435					
SED Waiver Federal Share	8,545,009	10,072,990	12,477,254	15,043,814	15,407,292	16,529,663					
SED Waiver Certified Match Grant	5,658,796	5,890,301	8,566,939	9,719,930	10,034,075	10,954,764					
MediKan	4,598,820	5,168,140	4,296,419	5,445,956	5,126,307	4,889,944					
Sub-Total Medicaid	81,819,371	99,911,201	113,121,495	134,640,619	116,062,367	123,740,780	166,246,701	170,578,640	176,396,005	193,074,041	199,950,872
Number of Medicaid Recipients	28,669	31,984	34,977	42,247	41,437	38,840	38,208	40,648	42,187	44,142	46,106
TOTAL CMHC FUNDING	130,921,389	147,454,572	163,287,865	184,958,989	165,964,952	173,228,122	205,820,139	208,352,078	204,986,096	221,514,132	213,307,666
PRIVATE MEDICAID PRACTITIONERS	NA	NA	NA	4,275,099	3,268,164	3,680,510	8,375,819	8,974,573	11,322,641	13,422,260	13,900,328
Number of Medicaid Recipients	NA	NA	NA	NA	NA	3,228	13,482	15,447	17,073	17,657	18,443
TOTAL PRIVATE PRACTITIONERS	0	0	0	4,275,099	3,268,164	3,680,510	8,375,819	8,974,573	11,322,641	13,422,260	13,900,328
RESIDENTIAL TREATMENT											
PRTFs	NA	NA	NA	NA	NA	NA	29,434,293	36,276,452	42,172,359	48,803,700	51,148,800
NF/MHs	14,242,525	13,625,423	13,425,068	13,117,334	11,750,315	13,574,494	14,484,069	15,578,223	15,814,601	18,562,101	18,742,269
TOTAL RESIDENTIAL TREATMENT	14,242,525	13,625,423	13,425,068	13,117,334	11,750,315	13,574,494	43,918,362	51,854,675	57,986,960	67,365,801	69,891,069
STATE HOSPITALS											
LSH	30,861,782	32,269,010	35,948,370	40,458,105	45,516,019	51,400,696	54,010,803	53,447,191	56,302,029	57,538,948	58,849,575
OSH	20,666,556	19,503,126	19,863,218	21,039,618	23,458,913	23,926,848	26,393,531	25,989,756	29,125,352	28,921,397	29,004,672
RMHF	6,608,776	6,591,998	7,071,519	7,212,977	7,864,088	8,010,786	8,250,004	7,811,108	8,753,096	8,638,394	8,711,681
TOTAL MH HOSPITAL FUNDING	58,137,114	58,364,134	62,883,107	68,710,700	76,839,020	83,338,330	88,654,338	87,248,055	94,180,477	95,098,739	96,565,928
TOTAL MENTAL HEALTH SERVICES	203,301,028	219,444,129	239,596,040	271,062,122	257,822,451	273,821,456	346,768,658	356,429,381	368,476,174	397,400,931	393,664,991