

Impact of substance use disorder treatment on medical expenditures for Medicaid enrollees with disabilities

Presented to the Adult Behavioral Health System Task Force

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The Impact of Substance Abuse Treatment Funding Reductions on Health Care Costs for Disabled Medicaid Adults in Washington State

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The Impact of Substance Abuse Treatment Funding Reductions on Health Care Costs for Disabled Medicaid Adults in Washington State

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THE PAST DECADE has seen major changes in the level of funding for substance abuse treatment in Washington State. The five-year period from State Fiscal Year (SFY) 2005 to SFY 2009 saw a major expansion of substance abuse treatment funding for adults enrolled in Medicaid and the program formerly known as General Assistance. This period of expansion has been followed by two biennia of reduced funding for substance abuse treatment. Revenue shortfalls during the Great Recession led to health care funding cuts that fell disproportionately on substance abuse treatment services, driven by federal constraints that limited the State's ability to balance budget cuts across health care delivery systems while maintaining access to enhanced federal Medicaid funding. This study examines the impact of these substance abuse treatment funding reductions on medical and nursing facility costs for adults enrolled in disability-related Medicaid coverage in Washington State.

Key findings

- The substance abuse treatment funding expansion from SFY 2005 to SFY 2009 significantly increased use of substance abuse treatment by Disabled Medicaid clients in Washington State. Substance abuse treatment penetration—a measure of service use relative to the estimated level of need—increased more than 50 percent from SFY 2004 to SFY 2009.
- The increase in access to substance abuse treatment in the “expansion era” coincided with a significant reduction in rates of growth in medical and long-term care costs for Disabled Medicaid clients with substance use problems. Over the expansion era, “per member per month” (PMPM) medical costs for Disabled Medicaid clients with substance abuse problems grew annually by only 1.4 percent, compared to 3.8 percent annual PMPM medical cost growth for Disabled Medicaid clients without substance abuse problems.
- The substance abuse treatment funding contraction that began in late SFY 2009 caused a decline in access to treatment for Disabled Medicaid clients. The decline in access to treatment after SFY 2009 coincided with relative increases in rates of growth of medical and nursing facility costs for Disabled Medicaid clients with substance abuse problems. Over the “contraction era”, medical costs for Disabled Medicaid clients with substance abuse problems increased annually by 4.2 percent PMPM, compared to a 2.6 percent PMPM annual decline in costs for Medicaid Disabled clients without substance abuse problems.

These findings demonstrate the importance of access to substance abuse treatment as a strategy for containing medical and long-term care cost growth for persons enrolled in disability-related Medicaid coverage, and point to the need for financing mechanisms that support this strategy.

Department of Social and Health Services | Planning, Performance and Accountability | Research and Data Analysis Division



Change in Washington State Medicaid and Related Health Expenditures

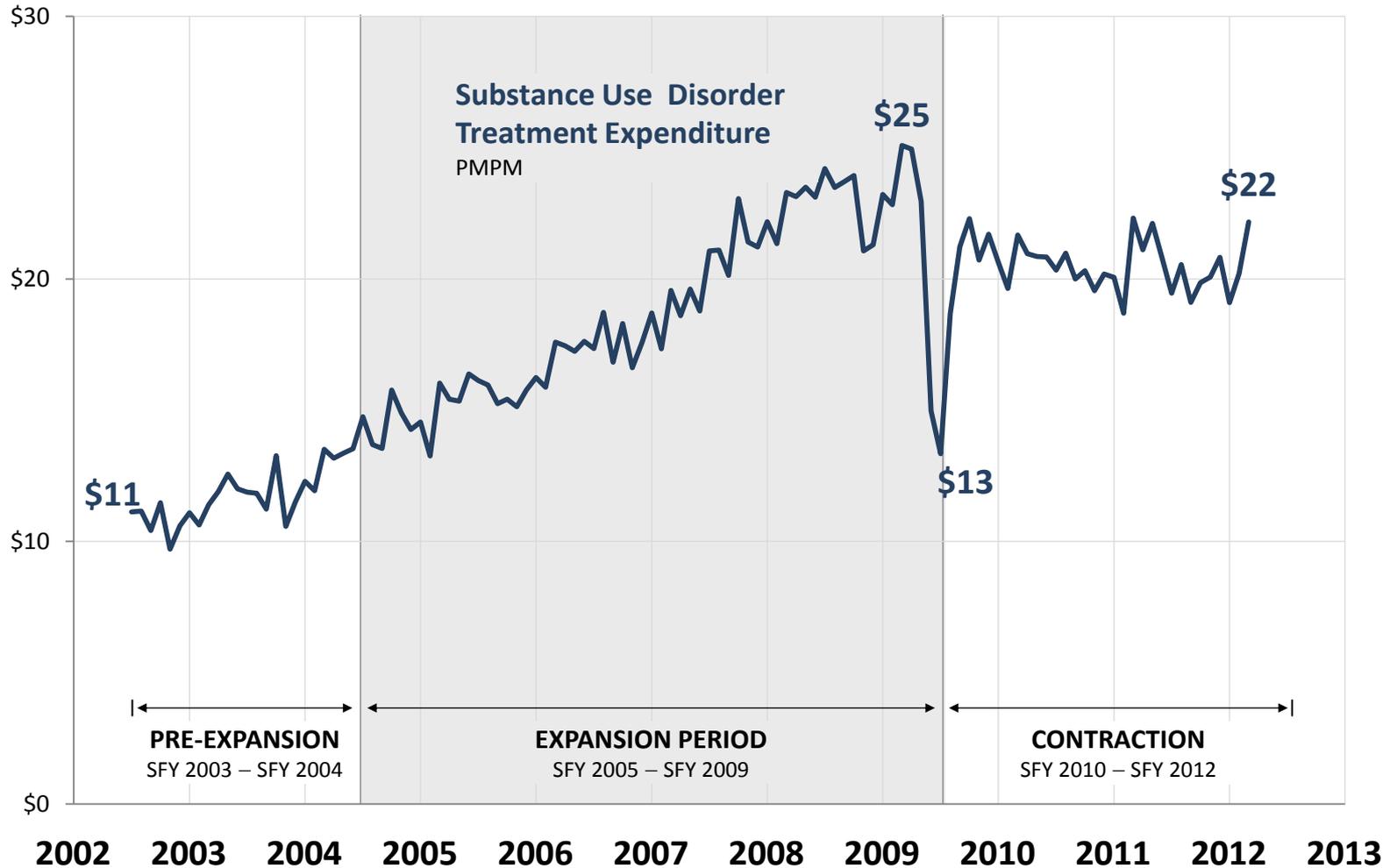
SFY 2009 to SFY 2012 • All fund sources

Total Expenditures (Dollars in Thousands)			
Program Area	2009	2012	% Change 2009-2012
Mental Health (030)	792,888	773,631	– 2.4%
Developmental Disabilities (040)	937,052	937,156	0.0%
Long-Term Care (050)	1,551,289	1,676,569	8.1%
Substance Abuse (070)	201,320	172,214	– 14.5%
Medical Assistance (080)	4,279,256	4,863,953	13.7%
TOTAL ALL PROGRAMS	7,761,804	8,423,523	8.5%



Funding Contraction Reduced Access to Treatment

PMPM substance use disorder treatment costs
For Disabled Medicaid adults, SFY 2003 to SFY 2012



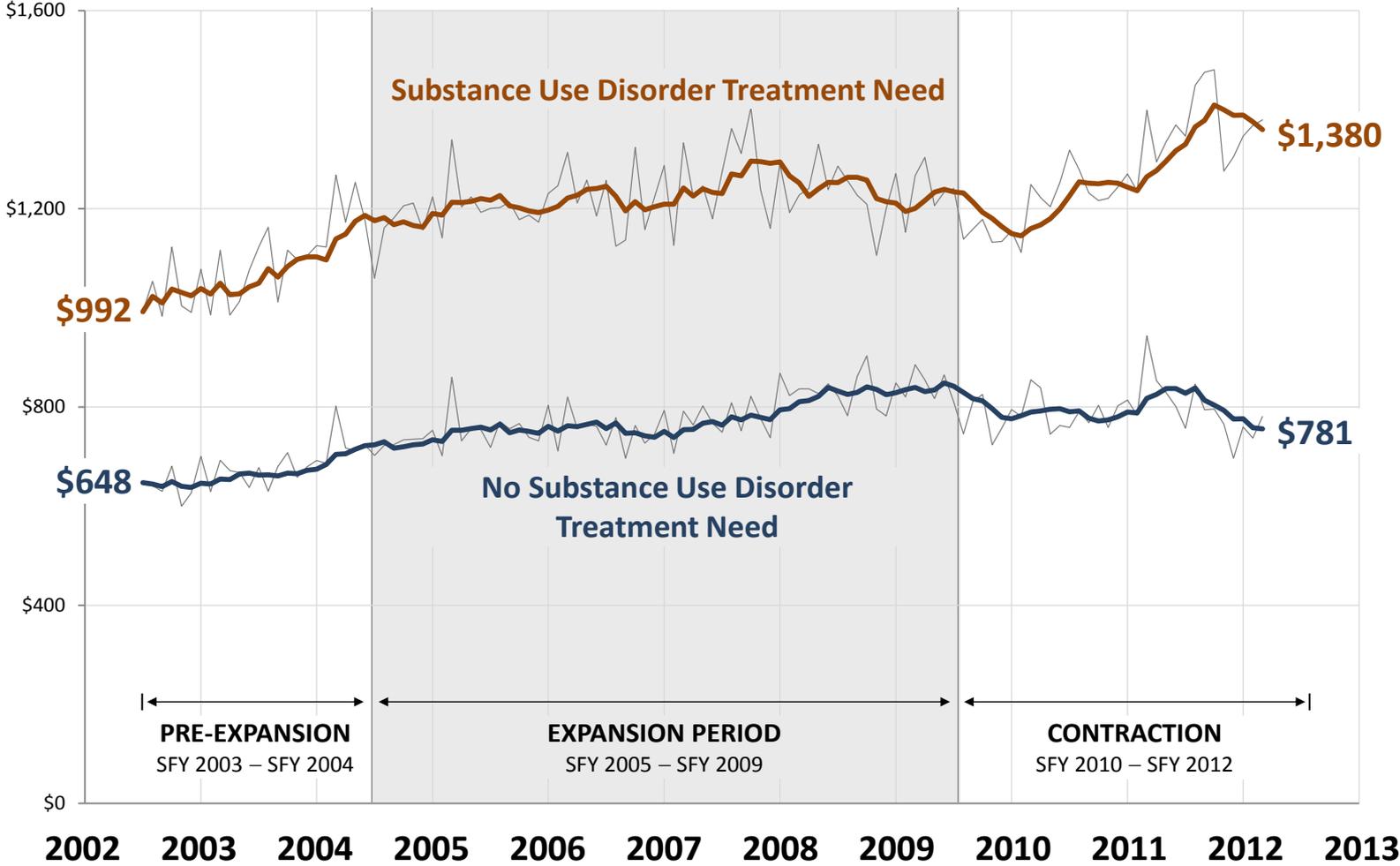
Summary

- ▶ **Increased access to substance abuse treatment in the “expansion era” coincided with a significant reduction in rates of growth in medical costs for disabled Medicaid clients with substance use disorders**
- ▶ **Reduced access to treatment after SFY 2009 coincided with a relative increase in rates of growth of medical costs for disabled Medicaid clients with substance use disorders**
- ▶ **Findings demonstrate the importance of access to substance use disorder treatment as a strategy for containing medical cost growth**



Increased Access to Substance Use Disorder Treatment Reduced Growth in Medical Costs for Disabled Medicaid Adults

PMPM medical costs for Disabled Medicaid adults
with and without substance use disorder treatment need, 6-month moving average



Increased Access to Substance Use Disorder Treatment Reduced Growth in Medical Costs for Disabled Medicaid Adults

Average annual percent change in PMPM medical costs

