

# Overview of Mental Health Services and Issues

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## Staff Presentation



**Senate Ways and Means Committee**

**January 26, 2005**

<http://www1.leg.wa.gov/Senate/Committees/WM/>

# **Today's meeting and tomorrow's focus on two issues studied during the interim by the Joint Task Force on Mental Health:**

- Loss of \$82 Million of federal funding for “non-Medicaid” people and services.
- Availability of state hospital, community hospital, and residential treatment facilities.

# Plans for Today's Meeting

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- Overview of Washington's Public Mental Health System.
- Background on "Non-Medicaid Funding."
- Panel Presentations:
  - Who's a "non-Medicaid client," and why?
  - Implications of reduced funding for:
    - RSN service delivery systems.
    - hospitals and jails.
    - housing and treatment services.

# **Overview of Washington's Public Mental Health System**

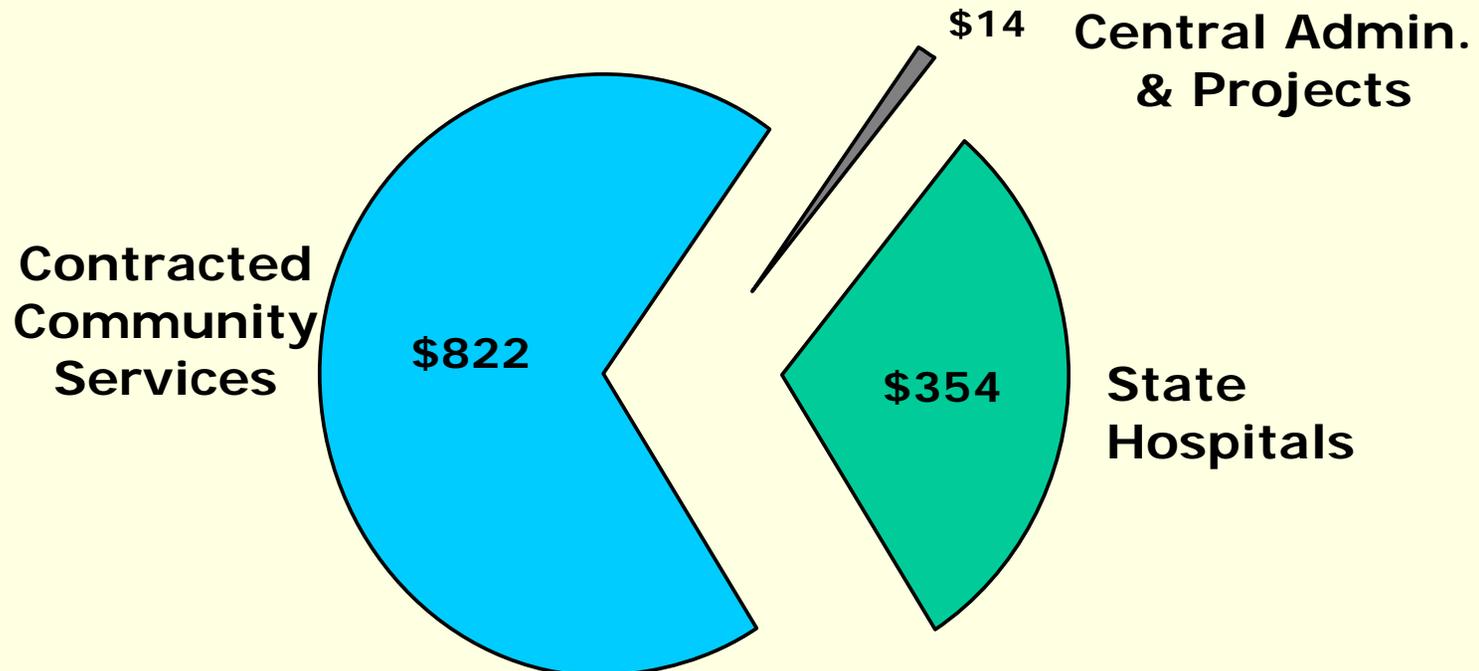
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# The state-funded mental health system has two primary components.

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## 2003-05 Operating Budget

(All Funds, In Millions)



# Washington operates two state psychiatric hospitals.

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## Eastern State, in Medical Lake

- 275 average daily patients.
- 700 FTE employees.
- \$47 million annual budget (\$23 million state, balance federal Medicaid, Medicare, and private insurance).

## Western State, in Steilacoom

- 900 average daily patients.
- 1,800 FTE employees.
- \$121 million annual budget (\$62 million state).

# Adult state hospital patients fall into three broad categories.

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## **315 “Forensic” Patients**

- defendants being evaluated for competency to stand trial, & felony defendants judged incompetent or criminally insane.

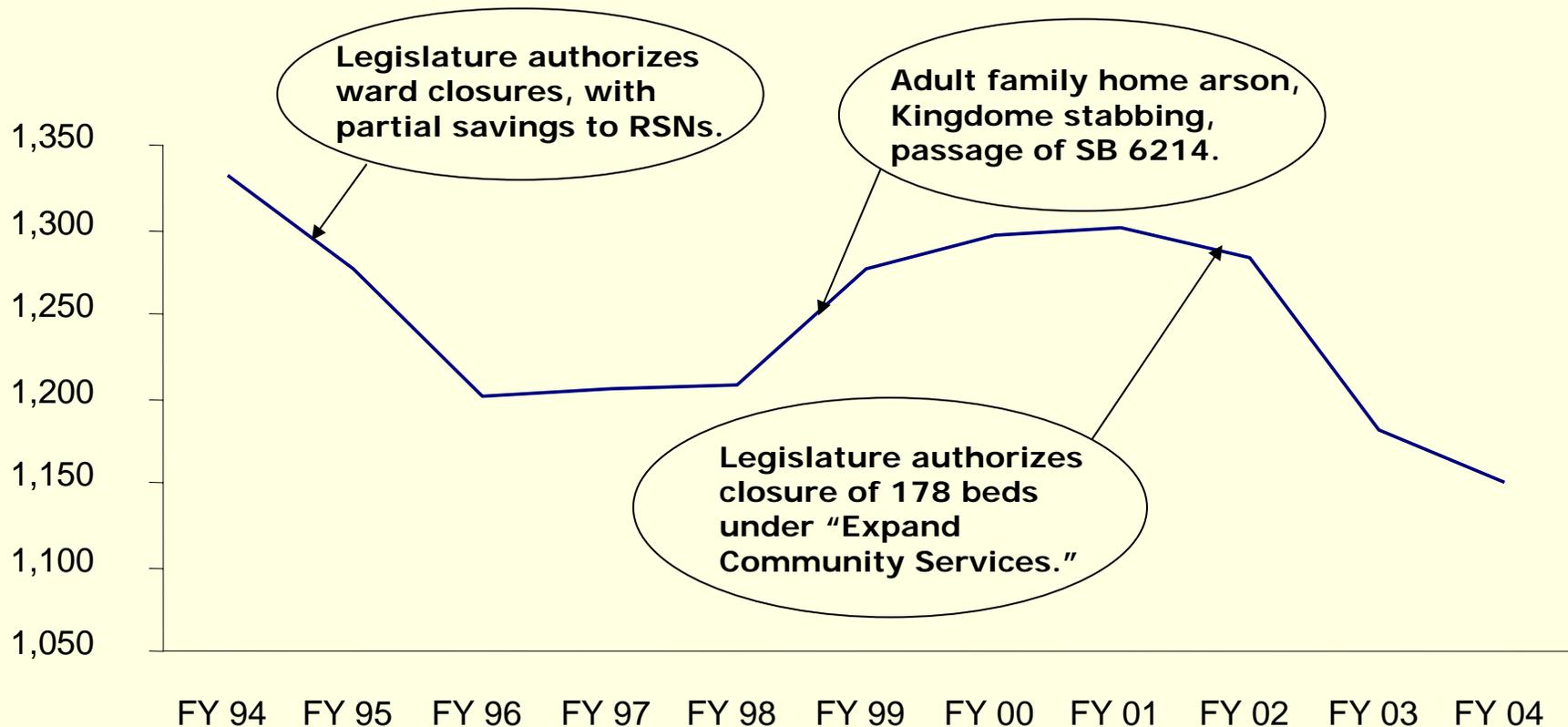
## **760 Adult & Geriatric Patients**

- people civilly-committed to at least 90 days of treatment because judged a danger to themselves or others.

## **100 “PALS” Residents**

- adults no longer needing hospital treatment, but awaiting community placement.

**The number of patients in the state hospitals has decreased by about 150 (12%) since 2002. Governor Locke proposes closure of an additional 130 beds in 2005-07.**

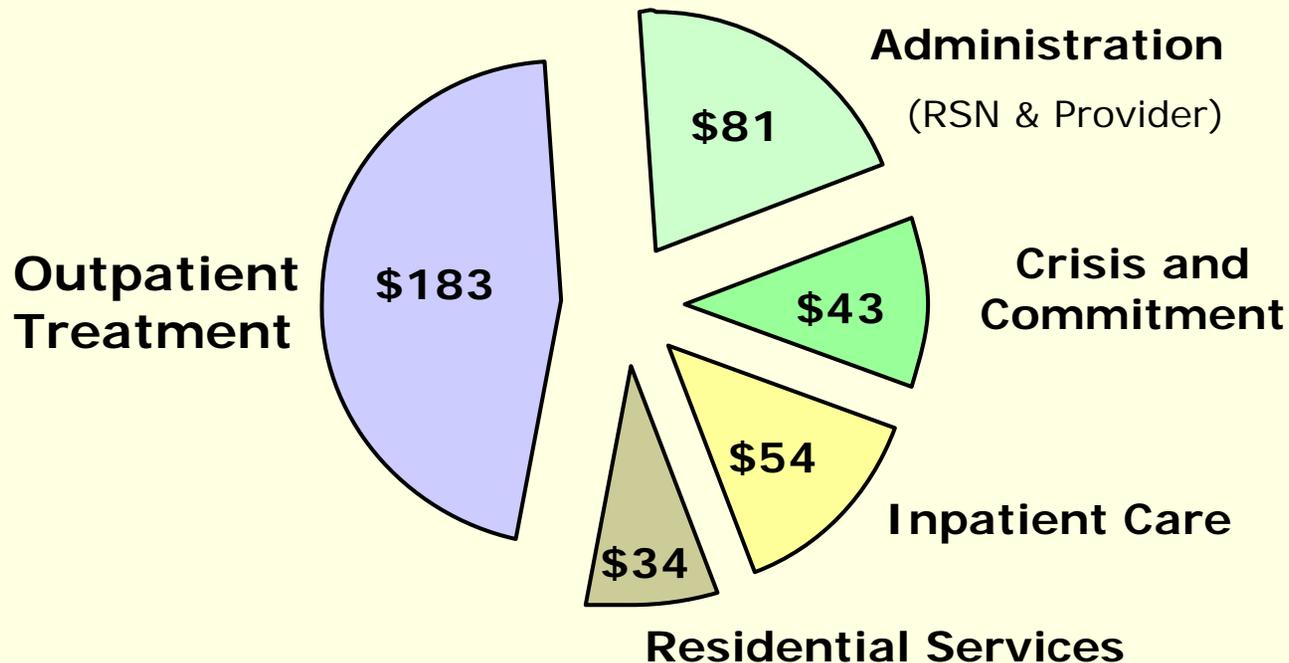


# Through the 14 Regional Support Networks, Washington will spend about \$750 million this biennium on a wide array of community mental health services.

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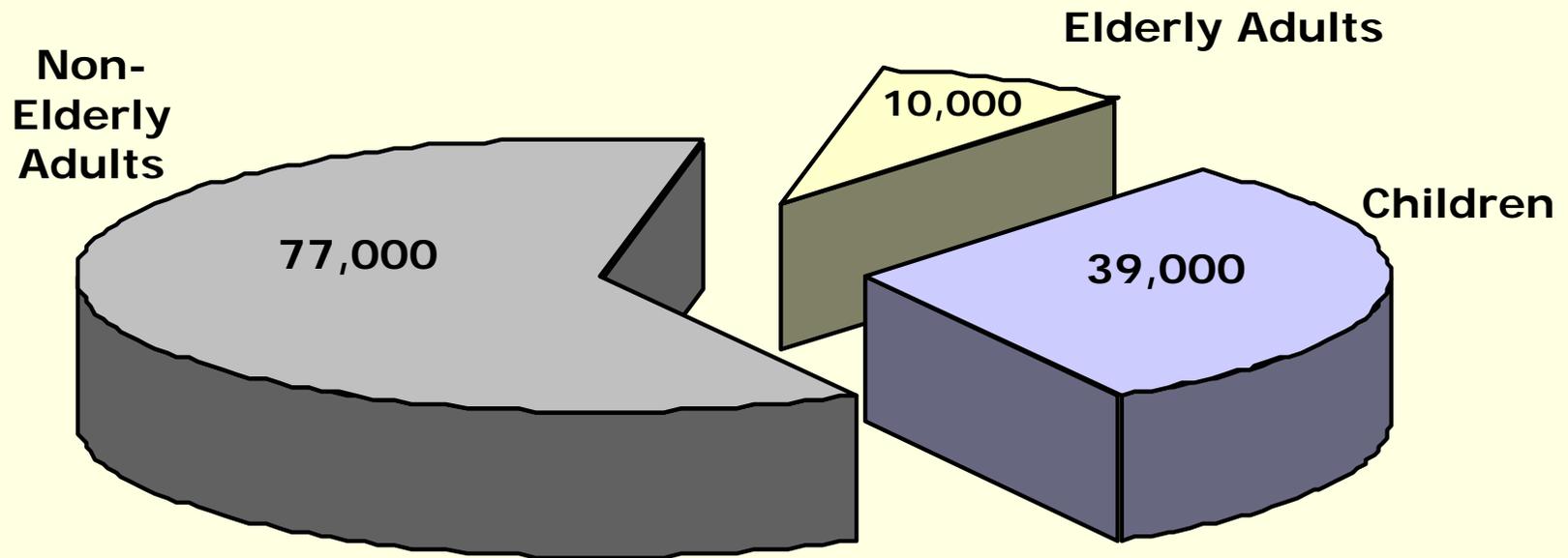
## FY 04 Community Mental Health Expenditures

(All Funds, In Millions)



**126,000 people – about 2% of the state population – received a publicly-funded community mental health service in FY 03.**

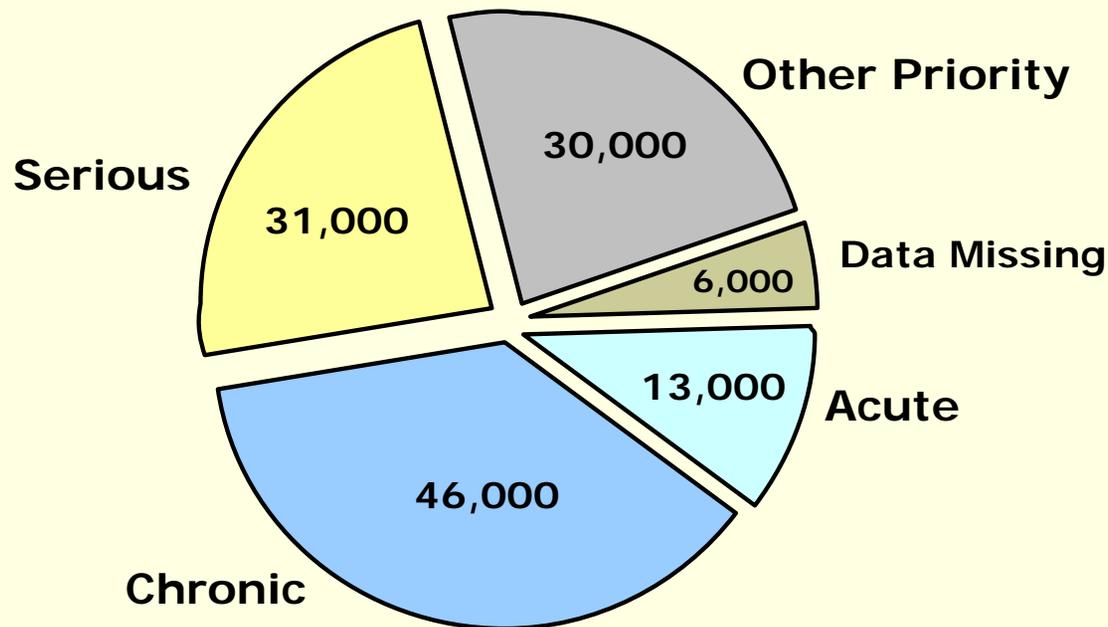
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**About half those who receive community mental health services are acutely or chronically mentally ill; another quarter are classified as seriously disturbed.**

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**Impairment Status per RCW 71.24  
Persons Served in FY 03**



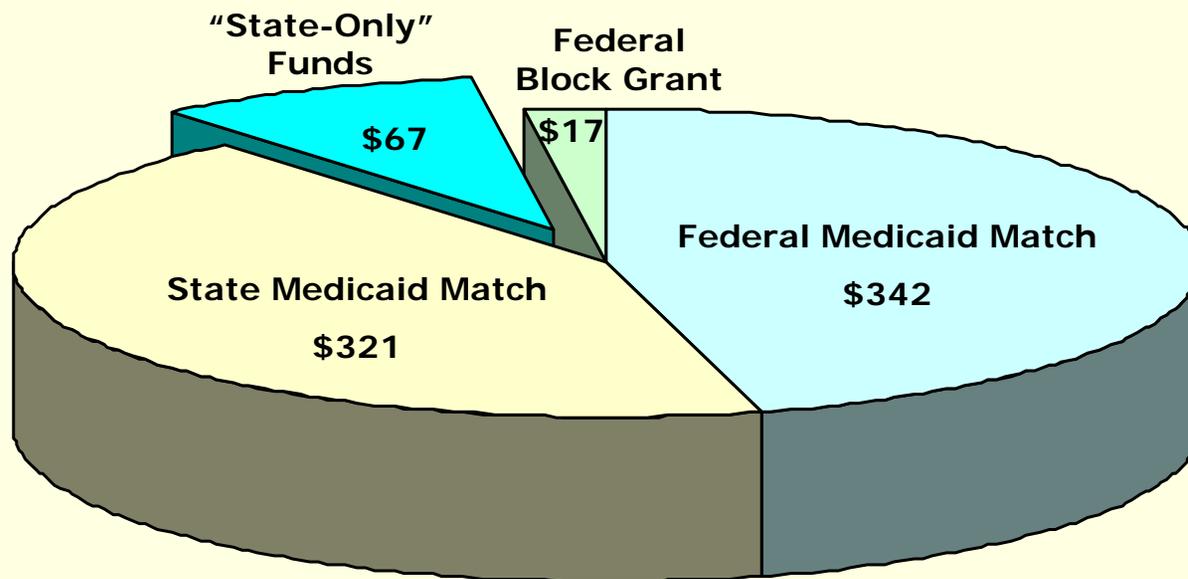
# Overview of “Non-Medicaid” Funding

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**Almost 90% of the \$750 million Washington will spend on community mental health services this biennium is associated with Medicaid.**

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**2003-05 Operating Budget Appropriations**  
(\$ in Millions)



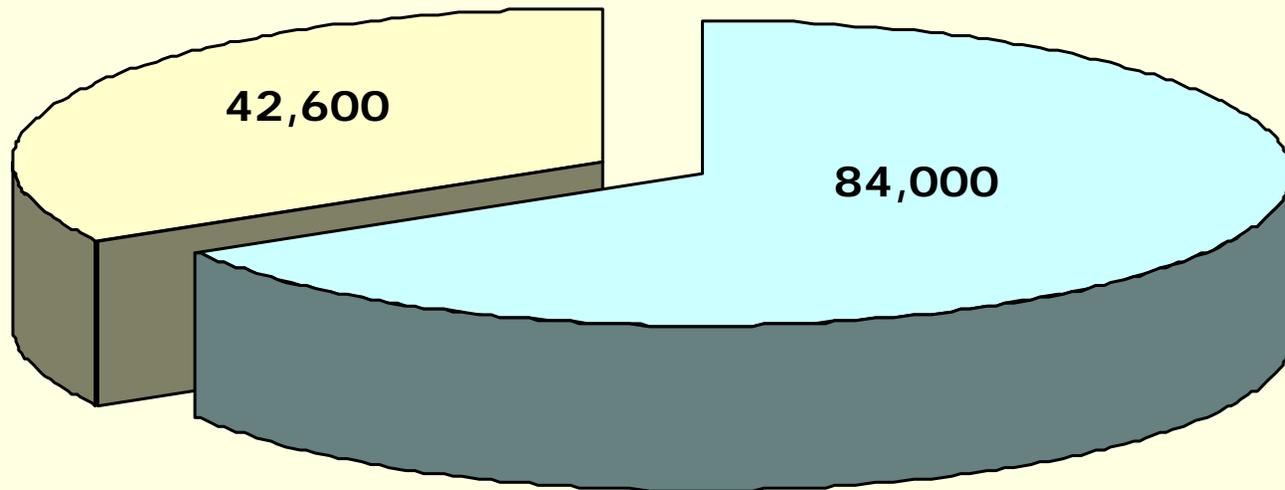
**But last year, about one-third of the people who received a state-subsidized community mental health service were not on Medicaid...**

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**Unduplicated Persons Served in FY 03**

**Non-Medicaid**

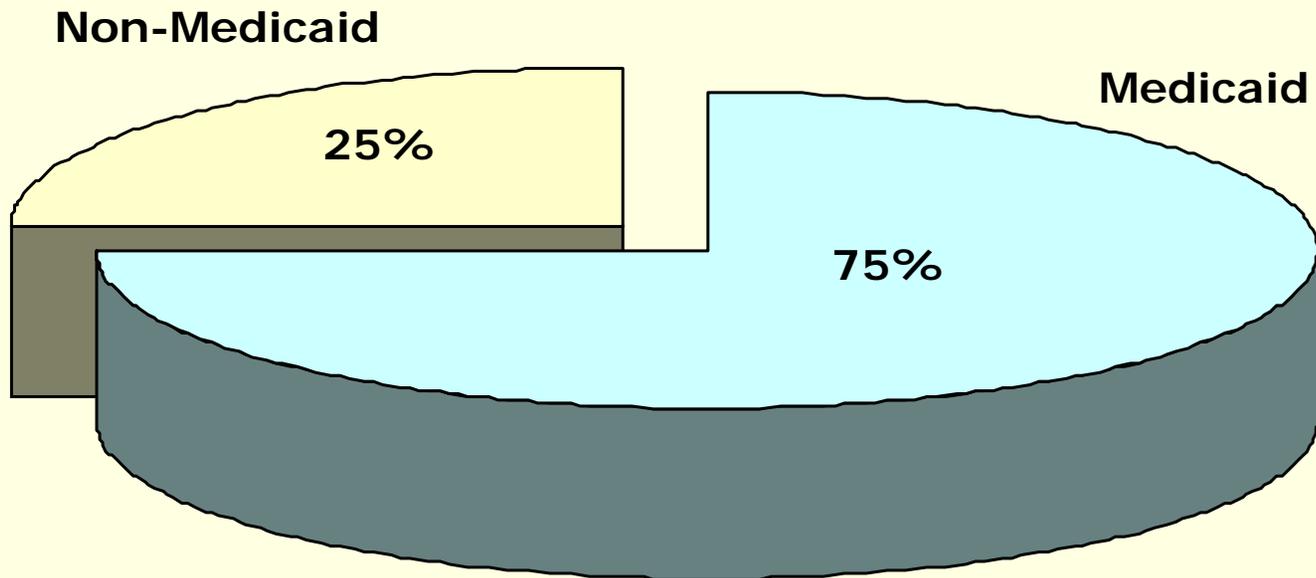
**Medicaid**



**...and they received about 25% of the total hours of service\* that were delivered during the year.**

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### Reported Hours of Service in FY 03



\* Excludes residential and 24-hour crisis hours, because of inconsistent reporting.

# Washington, like 34 other states, replaced Medicaid fee-for-service with managed care during the 1990's.

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## **Under Managed Care:**

- single prime contractor, responsible for all medically necessary services, for all eligible clients, for a fixed monthly “capitation” payment per client.

## **Mental health managed care provided opportunities for both savings, and service improvements, through:**

- Case and utilization management.
- Selective contracting.
- Service substitution.

**Under 1993-2004 federal waivers, state-level capitation rates were set at the *projected* amount that *would have* been spent under fee-for-service.**

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**If all medically necessary services were provided for less than this “upper payment limit,” part of the Medicaid rate could be used for:**

- services that wouldn't otherwise be eligible for Medicaid;
- people who weren't otherwise eligible for Medicaid;
- budgetary savings through cost-avoidance.

# **In July, new federal policies will require dramatic changes in the financing of Washington's public mental health system.**

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## **Under the new rules, rates must reflect the cost of only:**

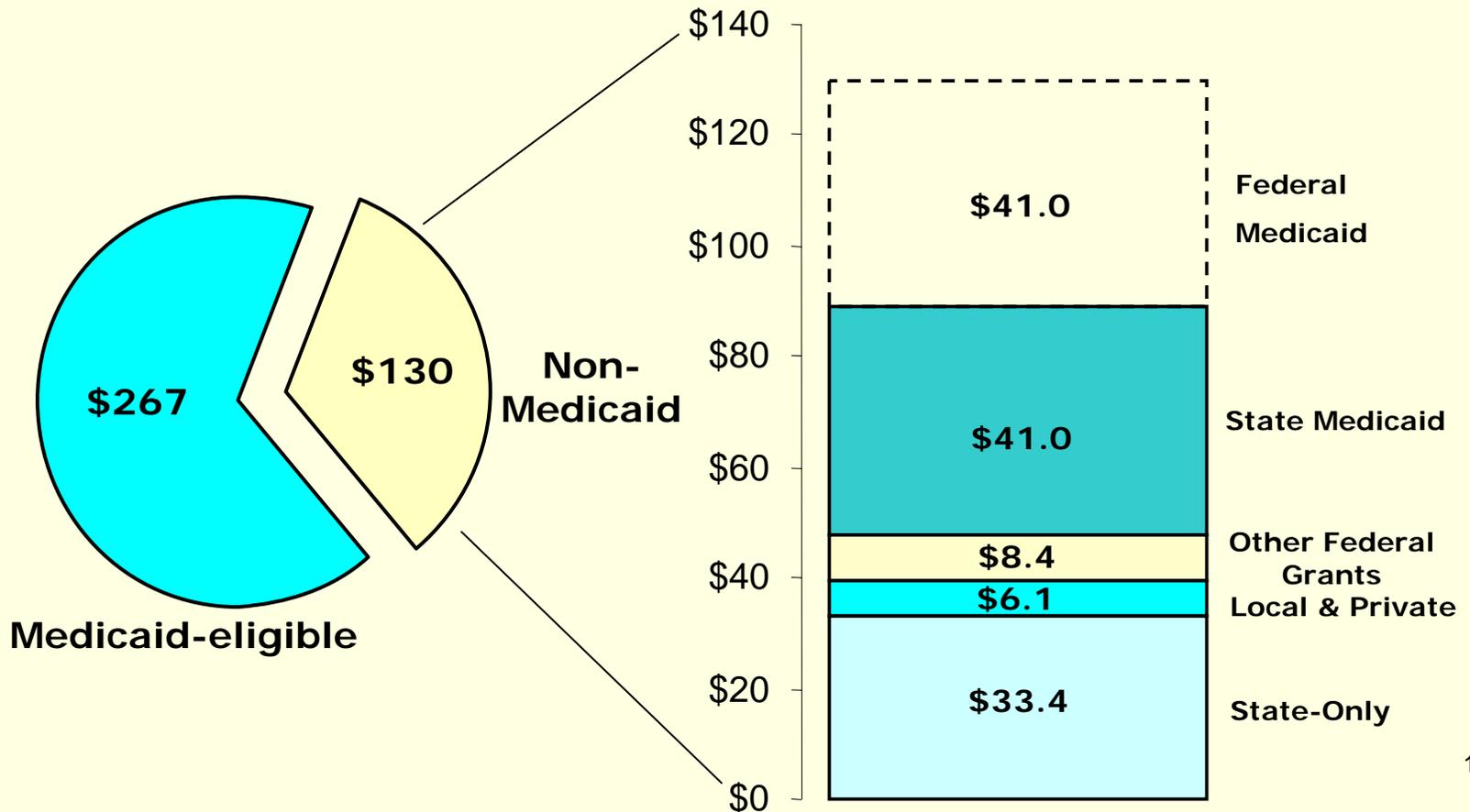
- Medicaid-eligible services to Medicaid eligible people.

## **Prospects for additional federal flexibility:**

- Extensions already granted in March 2004 until January, and in late December 2004 until July 2005.
- Washington has made much more use of Medicaid to finance community mental health than most states.
  - Medicaid was over 80% of total community mental health spending in only 4 other states in 2001.
  - National average and median was 38%.

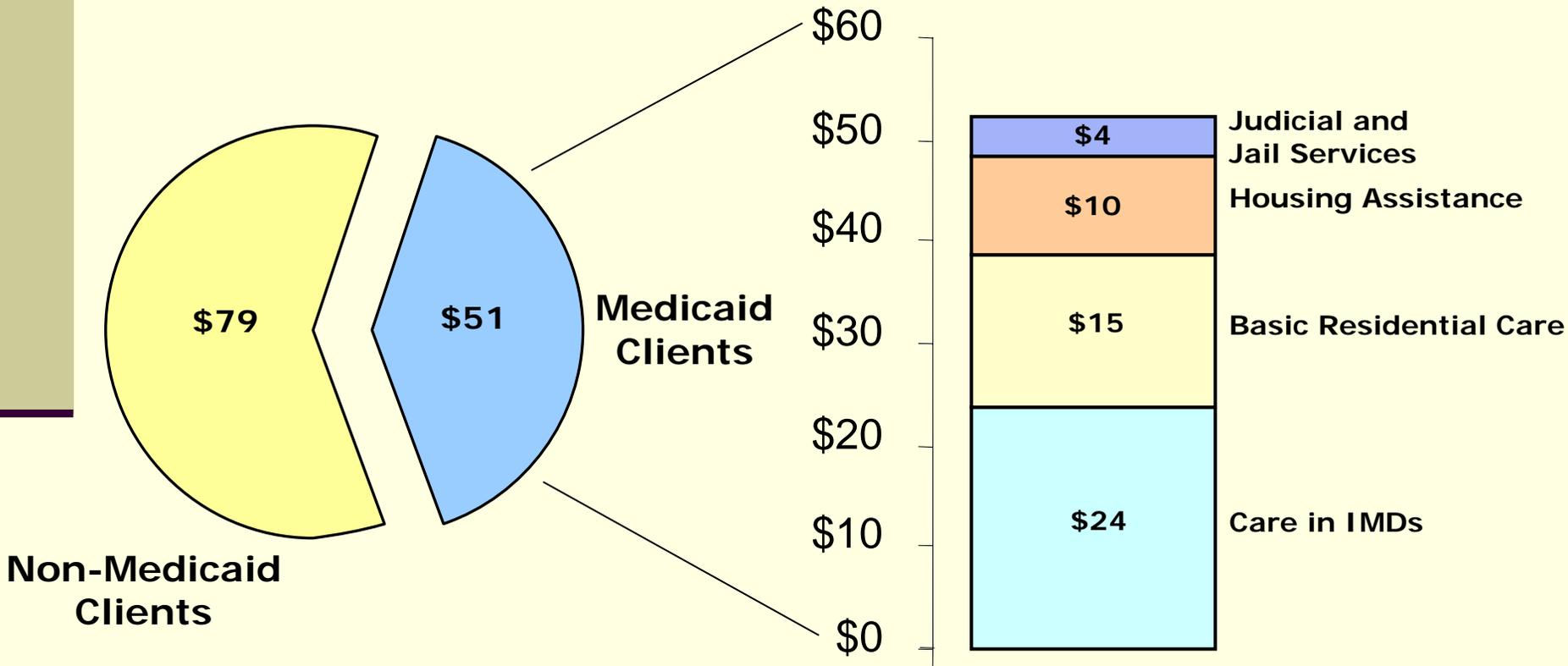
# Due to the new rules, Washington will lose an estimated \$41 million per year of federal funding that was previously used for non-Medicaid people and services.

Total FY 03 Expenditures (in millions)



# About 40% of “non-Medicaid” spending is on behalf of Medicaid clients, but is for services the federal Medicaid program won’t cover.

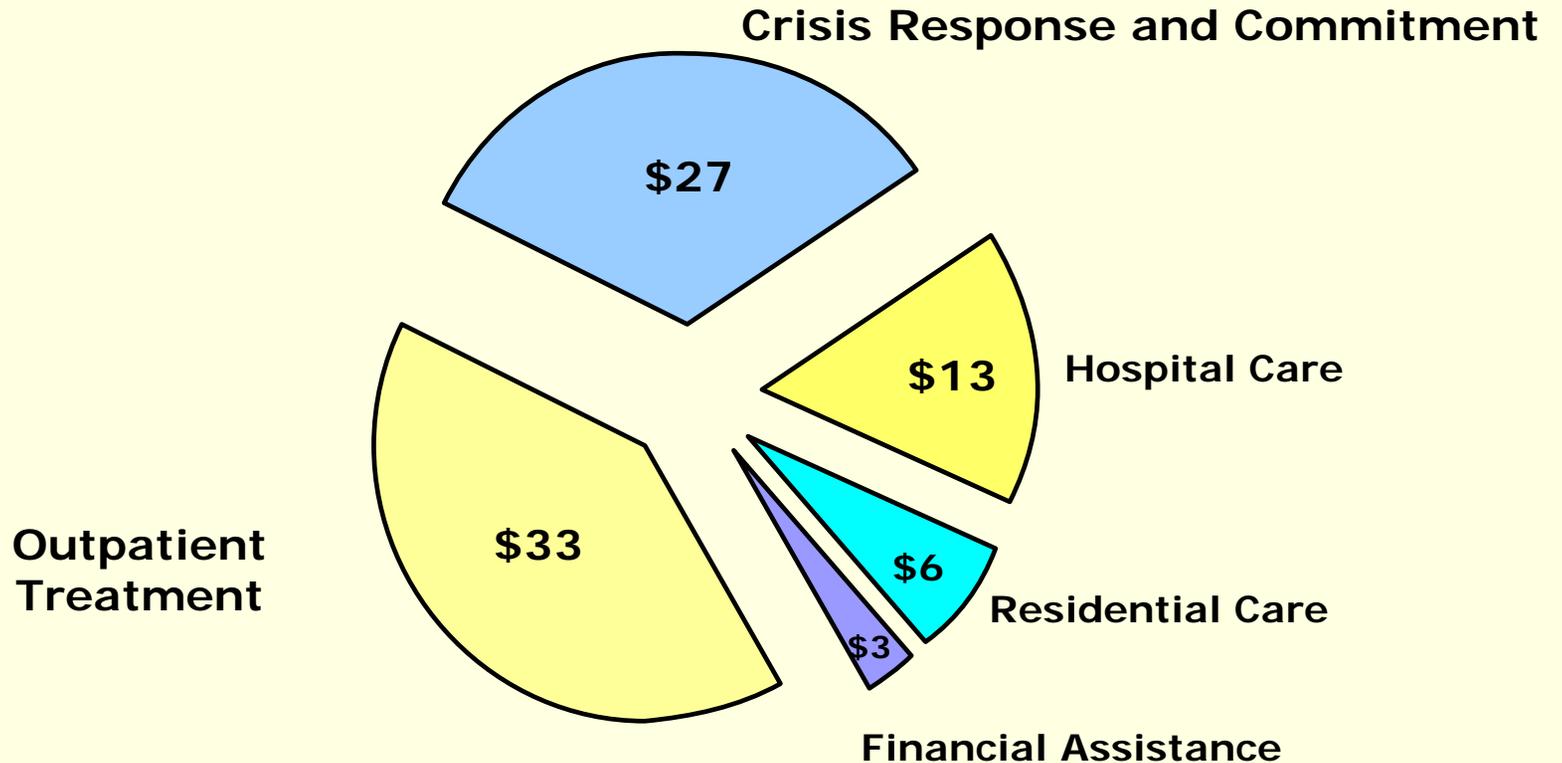
Estimated FY 03 “Non-Medicaid” Spending (in millions)



# Mental health services for non-Medicaid clients cost about \$80 million in FY 03. About half was for crisis and acute care; 40% was for outpatient treatment.

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(Dollars in Millions)



**Joint Legislative & Executive  
Task Force Findings on  
“Non-Medicaid” Clients’  
Income and Impairment Levels**

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# **Non-Medicaid clients have low incomes, even though that is not specifically required by state law.**

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- ▶ 73% of those for whom income data are available have incomes below the poverty level.
- ▶ 22% have incomes between 100-200% of poverty.
- ▶ 17% of those who were “non-Medicaid” at one point in FY 03 were “Medicaid” at some other time the same year.

# **The reason the large majority aren't on Medicaid probably isn't because their incomes are significantly too high, but rather because they:**

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- ▶ are disabled, but not severely or long enough to meet social security standards.
- ▶ meet federal disability standards, but get more social security than the \$565 per month allowed for Medicaid.
- ▶ are elderly, but have more than \$565 in income, and don't need COPEs or nursing home care.
- ▶ are non-elderly adults who don't have children.
- ▶ have not re-established Medicaid eligibility after time in jail, or failing to follow through on certification paperwork.
- ▶ don't meet U.S. residency requirements.

# The “average” non-Medicaid client is not as severely impaired as the average Medicaid client – though, on an individual basis, many are just as impaired.

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- ▶ 62% of non-Medicaid adults have a moderate or severe level of impairment, compared to 86% of Medicaid adults.
- ▶ One-quarter of non-Medicaid children are classified as “severely emotionally disturbed,” compared to 36% of Medicaid children.
- ▶ 17% of non-Medicaid adults did not meet one of the state priority categories, compared to 6% of Medicaid adults.

# However, non-Medicaid clients are more likely to be in crisis when they are served.

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- ▶ 55% of all involuntary commitment evaluations involve a non-Medicaid client, though non-Medicaid clients comprise only one-third of the total community mental health caseload.
- ▶ Non-Medicaid clients are more than twice as likely to be classified as acutely mentally ill. This may be because:
  - their illness is just beginning to manifest itself, so they have not yet established Medicaid eligibility;
  - their illness interferes with establishing or maintaining Medicaid eligibility.
  - Medicaid clients receive more ongoing treatment, and so are less likely to have a crisis.

# Recommendations to the Legislature:

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- ▶ **Joint Legislative & Executive Task Force on Mental Health recommends:**
  - ▶ replacement of the \$82 million with state-only funding, to the extent possible, and
  - ▶ subject to conditions to be determined by the Legislature.
- ▶ **Governor Locke did not include funding, either in “current revenue” or in “new revenue” budget.**

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