Overview of Community Mental Health Funding Methodology

Staff Presentation to the
Joint Legislative and Executive
Mental Health Task Force

September 24, 2004

The purpose of this briefing is:

- To present an overview of how state funding for community mental health services is calculated and allocated among the state's 14 regional support networks (RSNs), and;
- To provide context as we move into the discussion of "Non-Medicaid" funding options.

To review how our community mental health system currently operates …

Under managed care:

- single prime contractor (RSNs) responsible for
- all medically necessary services for
- all eligible clients in return for a
- **fixed monthly "capitation" payment** per eligible client.

Historically, RSN capitated payments were determined as follows:

- Each RSN's share of total funds available was based on its historical share, which derived at least in part from 1980's prevalence data, and;
- Rates per Medicaid eligible client varied significantly across RSNs.

JLARC's 2000 mental health system performance audit recommended that:

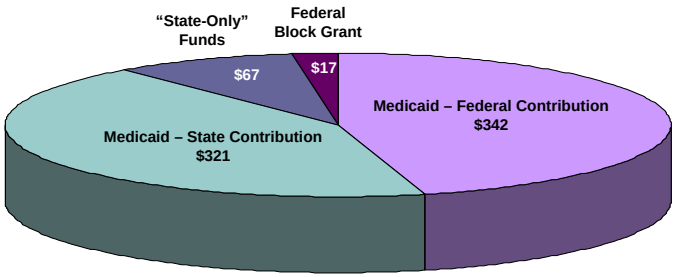
- The Mental Health Division both simplify the RSN funding allocation methodology and make it more consistent statewide.
- The Legislature agreed to this recommendation; and
- In FY02 DSHS began a six year phase-in of a new funding method.

FY 2005-07 represents the final biennium of the six year phase-in.

- Only 8% of the FY 2005-07 allocation will be based on the historical method, with the remaining 92% based on the new method.
- Under both methods the sources of funding are the same.

Medicaid and "State-Only" funding comprise 98% of the RSNs' state-budgeted funding:

2003-05 Operating Budget Appropriations
($ in Millions)



So, how does the new method work? First, the Medicaid side.

- RSN Funding =
  Rate x Medicaid-eligibles
- Rates:
  - are actuarially determined;
  - consistent statewide; and,
  - differ by Medicaid categories.

To determine each RSN's Medicaid payment:

- The number of enrolled Medicaid eligibles in each category is multiplied by the rate for that category.
- The amounts for each category are then summed, resulting in the RSN's total Medicaid payment.

The four Medicaid client categories referenced are: disabled adults; non-disabled adults; disabled children; and non-disabled children.

An illustration, based on Clark RSN:

- If Clark RSN has:
  - 35,000 non-disabled Medicaid children; and
  - The rate per non-disabled child is $11/month;
- Then its annual Medicaid payment for this client category is:
  - $11 x 35,000 x 12 months = $4.6 million
- Adding the amounts for the 3 other categories results in a total of $18.2M.

*These numbers are approximations used for illustrative purposes only. They do not represent actual figures used for estimating or determining the RSN's funding level.

A different formula is used to distribute the $33 million per year in "State-Only" funds.

- 80% is allocated based on the RSN's share of persons enrolled in state-only programs.
  - Clients counted include GA-U, ADATSA, psychologically indigent, and state-only kids.
- 20% is allocated based on additional factors thought to be indicators of additional service needs.
  - Factors include homeless people served, ITA commitments, and urban and border counties.

Moving forward …

- A new set of actuarial rates will be released by May 2005.
- There is potential that CMS will require geographically-adjusted rates.
- Upcoming 2004 task force meetings will include discussion of "Non-Medicaid" funding options.