

The State of State Medicaid Waivers... CA Gets Third Exemption

“What we got was exactly what we wanted,” says the Director of the CA Mental Health Directors Association, a delighted Catherine Camp. In receipt of a letter from HCFA, granting CA’s Medi-Cal Specialty mental health managed care program its third two-year waiver from four sections of the Social Security Act, requiring freedom of choice, comparability, certain methods of administration and statewide scope of MH plans, Camp said the victory was particularly sweet because “up until now it’s been a matter of what we thought we could do, this was a matter of documenting what we have done.”

In the November 16th letter HCFA says that the waiver approval is “based on evidence submitted to HCFA demonstrating that the State’s proposal is consistent with the purpose of the Medicaid program and will meet statutory and regulatory requirements for assuring beneficiaries access to care, quality of services, waiver cost-effectiveness...”

“We’ve made a strong beginning and it feels like HCFA has acknowledged that,” crows Camp. Her biggest fear was that HCFA would require competitive procurement, not in this waiver period, but in the next one. But the HCFA letter (see box) specified only that an assessment would be required. Says Camp, “It feels like no change, which from our point of view is a big victory.”

Obtaining the Waiver

Camp said the waiver process was easier this time but more time-consuming. Last time, a Republican governor, a Democratic President and a general feeling that CA got too many waivers all combined to make HCFA suspicious. “We had to create a landscape for this,” she says, “and we benefited this time around.” But, adds Camp, the CA MH community was more nervous because of what was happening in other states. The national environment was against carve outs.

More political organizing went into the process this time. Camp says a resolution was put through the counties with the help of organizations like NACBHD and NACO. From the strong support of

From HCFA “conditions of approval” for CA Waiver: 11/16/00

“In the absence of any interim change in the HCFA policy regarding competitive procurement... at the time of the next renewal of this waiver, the State must be able to justify the continuing use of this exemption. As we are permitting the competitive procurement exemption for the upcoming waiver period, we are requesting the State to submit an assessment of the sources of State funding for which Federal match is requested during the upcoming waiver period. This assessment is to accompany the State’s next request for a renewal. This assessment must include funding amounts and the source of such funding, including all use of intergovernmental transfers, certified public expenditures, and other designated State funding sources.”

community advisory boards, there was something of a groundswell. Boards of supervisors talked to the state Congressional delegation. The delegation sent a letter to HCFA.

Increased Access

A required independent assessment turned out to be a valuable tool in the waiver process because it showed CA exceeded access requirements. Camp says that access has been increasing steadily since the program began and that the penetration rate for MH services increased from 3.1% to 3.5%.

The mostly remarkable finding in the assessment, according to Camp, is that CA has had none of the financial or programmatic failures that other plans, both public and private, have experienced. In

continued on page 2

Medicaid Waivers

continued from page 1

addition funding for in-patient services dropped from 44% of the total to 22%, while number of clients served remained the same. Crisis, outpatient and day treatment services all increased. More than 80% of consumers felt that access was acceptable and staff helpful. Between 80 and 90% thought services were high in quality.

Stakeholders also like the system. "Their only criticisms are compared, not to fee-for-service, but to a perfect system," says Camp. Complaints include the need for more rigorous timelines for care and for better cultural outreach.

The CA Mental Health Specialty Care

Research shows that a single integrated system of care is critical for successful treatment of persistent mental illness. Thus, the CA Department of MH (DMH) believes that the needs of the severely mentally ill often go unmet in an all inclusive health care management system. For that reason, DMH decided to carve out specialty MH services from the rest of the Medi-Cal managed care system

Medi-Cal Specialty MH Services gave counties the first right of refusal in choosing to be the MH plan for the country. All but two CA counties chose to contract with the state and the two opted to partner with other counties. According to the DMH, the choice to put counties in charge was a "natural outgrowth of the extensive experience counties have had in serving the MH needs of communities."

In 1995, when Medi-Cal Specialty MH Services began, county health departments managed psychiatric inpatient hospital services only at county hospitals or hospitals under contract to the county. As the county MH health plans began to take effect, they assumed responsibility for other inpatient hospitals and outpatient specialty MH services, as well as continuing to provide rehabilitative MH and targeted case management services.

Camp reports that experience has justified the county based system. "In all 58 counties, everyone has been able to take the risk and manage it appropriately," she says. "We are really proud of the product."

NACBHD Legislative Conference: A Call to Action

We are particularly pleased to announce NACBHD's 6th Legislative Conference to be held February 28 – March 2nd at the Holiday Inn on Capitol Hill, Washington, DC. This year's theme is *A Call to Action, A Response for Change*. It reflects our belief that a strong, visible county/local authority presence in the public behavioral health arena requires a commitment to advocacy and policy development based on current, timely information from reliable sources. This year's conference responds to this challenge. We are delighted to be on Capitol Hill this year, affording all participants the opportunity to interact with their congressional delegations. Hill visits to be scheduled during the conference as well as the Wednesday Evening Reception are perfect vehicles for increasing dialogues with those who represent us at the national level. The new location will facilitate discussions of issues that are critical for our survival.

A Briefing Session will familiarize participants with NACBHD's policy positions and provide guidance on strategies for discussing these positions with members of Congress. A Debriefing Session on Friday morning will encourage participants to share their experiences, identify lessons learned and define follow up activities.

The Congressional Updates from our public policy partners have become standards providing useful information from mental health, developmental disabilities and substance abuse programs. As a result of the success of last year's legal update sessions, we welcome back the Bazelon Center for Mental Health Law to present current legal issues of interest. The Federal Update offers officials from the agencies with which we work closely an opportunity to share their agendas and direction for 2001. This year CMHS,

continued on page 4

Michigan Addresses the Procurement Issue; Waiting for Word From HCFA

Michigan state officials have personally presented and defended a revised plan for procurement of specialty services in the state to HCFA but so far have gotten no reaction from the agency. The revised plan retains the fundamental structure of the current plan and procurement model with certain differences. According to the Executive Director of the Michigan Association of Community Mental Health Boards, David LaLumia, “The plan makes a strong argument that it is not practical to conduct a full and open competitive bid process for Medicaid specialty services in MI and provides strong economic arguments and other rationale to back it up.”

Specialty services, including those related to mental health and developmental disabilities, as well as outpatient substance abuse services, were carved out of the MI health plan in 1998 and placed in Prepaid Health Plans (PHPs), managed care entities. Then under a HCFA procurement waiver, MI contracted on a sole source basis with its 49 county-sponsored Community MH Services Programs (CMHSPs) to run the PHPs on a prepaid, shared risk basis.

In approving the 1998 waiver, HCFA specified that at the next go-around, MI would have to come with “a detailed plan to shift from sole source procurements for its PHP contracts to full and open competitive procurement which comply with Federal procurement rules at 45 CFR Part 74 (see box).”

From 45 CFR Part 74

“...all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.”

Michigan went diligently to work almost at once, developing a competitive procurement plan that would bid out management of both Medicaid funds for specialty services and other funds currently assigned to counties. After this plan was released, Michigan held ten public hearings and took extensive comments from stakeholders who expressed concerns that competition would diminish local control and oversight of community-based service systems, as well as pieces of these systems, such as open meetings or consumer participa-

tion on governing boards. Stakeholders also worried that profit considerations would compromise access and quality by withholding funds that could be used to enhance or increase services. Disruptions in care continuity and elimination or reduction of services were other concerns.

In the end, the state began to wonder if competitive selection of specialty PHPs was “feasible or desirable.” The plan states that contracting conditions for specialty PPHs constitutes a situation of bilateral dependency. Thus, even if a competitive environment could be established, the business of fostering inclusion and integration would undermine it. As the revised plan states:

“Since most CMHSPs already have many of the characteristics that the state would be seeking in a competitive bid for a specialty PHP, there seems little utility in conducting procurement in which CMHSPs would almost certainly be the successful bidders. Nor can one easily argue that there is a vigorously competitive private market for specialty PHP services and that limiting procurement is therefore unfair.”

Rather than try to develop increasingly difficult models to make competitive procurement work, Michigan concluded it had no choice but to develop a plan that made the case that classic competitive procurement was not practical, yet met the principles and intent of competition (fairness and best value) and established safeguards against the negative effects of lack of competition. Technical arguments in support of these principles were laid out in the plan that went to HCFA October first.

Under the revised plan, CMHSPs would get first consideration for PHP contracts by a special procurement committee. If a CMHSP did not meet qualifications, its service area would be opened up for competitive bidding and the state would be allowed to contract with a private organization. In addition, the revised plan sets provisions dealing with person-centered-planning, community inclusion, consumer choice and conditions of participation. All of these, writes La Lumia in a letter to HCFA, support “improved quality and true consumer choice.”

HCFA has 90 days to issue a ruling on the MI revised plan or may stop the clock for further qualification.

PA: Looking to Expand Its Behavioral Health Plan

Pennsylvania has issued an RFP for proposals to serve a ten county area that cuts a swathe through the center of the state. The goal is to expand its HealthChoices Program, managed care for behavioral health services, serving TANF, SSI and other related medical assistance beneficiaries, by October 1, 2001. HealthChoices was first implemented in five southeastern counties in 1997 and then expanded two years later to include ten more in southwestern PA.

Under HealthChoices, Medicaid beneficiaries are mandatorily enrolled in fully capitated, risk comprehensive PHPs (see above) or Managed Care Organizations. County governments are given first right of refusal to operate the HealthChoices plans or they may contract them out. If a county does not choose to participate, the state selects a contractor through a competitive bidding process.

PA decided to break out behavioral health from its physical health plan after receiving input from the stakeholder community, including private sector managed care organizations, service providers, behavioral health consumers, people in recovery, family members, state/local government and legal advocates. One of the key aims of the program is to coordinate behavioral health services with other publicly funded human service programs.

Others are to maintain efficiency, continuity and integration in the provision of behavioral health services and to coordinate them with physical health services.

HealthChoices is currently operating under a second HCFA waiver, which expires next year. The five-page letter of approval laid out 17 conditions to be met by the state and cautioned that the next waiver request may be viewed differently (see box). To Mike Chambers, Executive Director of MH/MR Administrators of PA, it was not at all reassuring, "We still have no guarantees or even a feeling of comfort."

From HCFA Waiver Approval for PA 12/17/99

"In consultation with the states, we are reviewing the Federal regulations at 45 CFR Part 74 and policies related to the open procurement process for Medicaid contracts. We may issue new policy or regulations, and if so, would reevaluate the Medicaid contracting process, prospectively, in light of the changes. We would notify all States about the changes."

NACBHD Legislative Conference

continued from page 2

CSAT and CSAP are joined by Gary De Carolis of SAMHSA's Child, Youth and Family Branch to offer the children's mental health perspective.

This conference kicks off a year-long analysis of workforce issues in the behavioral health arena. In recognition of the joint efforts between HRSA and SAMHSA to address these issues, Dr. Donald Weaver, Director, National Health Service Corps and Dr. Eric Goplerud, Associate Administrator, SAMHSA's Office of Managed Care will share the platform to discuss their joint initiative, report on the recently held Summits, and discuss how recommendations for improvements can impact county/local behavioral health authorities.

Representatives of HCFA's Medicaid and State Operations Branch will be with us for an update on the status of their department, with special emphasis on HIPAA regulations.

Don't miss this opportunity to hear the policy information you need to make informed, responsible decisions about the future of your organization. Take advantage of the opportunity to network with colleagues from across the country. Let your voice be heard in the Call for Action! Register today by contacting the NACBHD office at (202) 234-7543 or Lauren@nacbhd.org or visiting our web site at www.nacbhd.org.

NACBHD'S 2001 LEGISLATIVE CONFERENCE

FEBRUARY 28 - MARCH 2ND

HOLIDAY INN ON THE HILL, WASHINGTON, DC

Don't miss the best forum for the latest, most critical policy information directly affecting county/local behavioral health authorities! Our new location on Capitol Hill will afford you the opportunity to hear from legislators and their staff members on key behavioral health legislation, and speak with your own congressional delegation.

'Hung Up' In the Waiver Design Phase In Iowa

"We are still messing around," reports Director of Polk County Health Services, Lynn Ferrell, regarding a pilot program signed into law in Iowa a year and a half ago. The pilot allows four counties to carve out services for that part of the SSI population with mental retardation, developmental disabilities or chronic mental illness (about 7,000 people). The counties would blend and manage all funding streams into a single capitation rate. They include IA's two largest, Polk and Linn; tiny Washington County and medium-sized Webster.

What's hanging up Iowa in its quest for a HCFA waiver to establish the pilot are two issues: 1) voluntary versus involuntary enrollment and 2) competitive bidding. Of these, the bigger concern is competitive bidding. "HCFA keeps citing new regs. that we're going to have to abide by but they aren't out yet and we can't see them," says Ferrell. The federal agency warns after the current two-year waiver period, "the pilot is going to have to be dismantled or put out for competitive bidding for the entire state." To Ferrell, that's misses the point: "We want to manage it ourselves."

Iowa is in the seventh year of 1915 (b) waiver to contract all health services, including mental health to the Magellan Company (the IOWA Plan). From the county point of view it hasn't been completely successful. Ferrell says counties feel there has been a cost-shifting in their direction. For instance, under the IOWA Plan if someone goes to a state hospital and it's a voluntary admission, Magellan pays. If it's an involuntary admission, the county pays. Therefore, says Ferrell, the incentive is to get a court order and move the patient to

a state hospital. That way the doctor doesn't have to go through the billing procedures. Because of this tendency, Ferrell says, "We seem to be in a modest re-institutionalization trend"

Another example of cost shifting is consumer support programs, which Merit (as Magellan is called in IA) is required to fund. Over the past two or three years they've been ratcheting back on that, Ferrell maintains, "and we pick up the residual." He says cost shifting is natural and even good management when there are multi-funding streams and they are being managed by several parties. But he would prefer to see management and accountability under one roof, something he calls "decategorization".

Previous managed care organizations haven't understood social service needs, according to Ferrell. "For the chronically mentally ill, housing is as important as medication," he says, adding that the local authority pulls the pieces together and that no private organization has that expertise. "Once the safety net's gone," he asks, "what then?"

Making county management a tough sell in IA is the fact that mental health has always been outside of the county system, although the county has paid the non-federal share of mental retardation costs. In addition, it is opposed both by Magellan and the state Medicaid program. Ferrell says Iowa Medicaid has always been conservative. For instance, IA was the 49th state to get home and community based waivers even though the waivers, themselves, came about because of an IA case. "We are afraid to access federal dollars because they might go away," Ferrell jokes.

2001 MEMBERSHIP CAMPAIGN:

We thank each of you who have renewed your membership for 2001! We appreciate your continuing investment and support of our growth and enhanced activity. Thanks to you, we have made great strides in the quality and array of membership services that we offer, and have significantly increased our influence at the federal level.

Now is the time to be a part of the only membership organization that represents the interests and requirements of county behavioral health authorities. NACBHD was created by and for county directors and has continued the tradition of remaining close its membership, continually in tuned with the most critical issues and concerns. If you have not already done so, respond to your renewal notice today. If necessary, contact the NACBHD office for a membership application or visit our web site at www.nacbhd.org. Make sure you do not get left out of what promises to be a very exciting year! We can be reached at: (202) 234-7543 or Lauren@nacbhd.org.

Going for One More Waiver Cycle for Texas' Northstar; Looking for A New Provider

Texas' seven-county NorthSTAR program will go into another waiver cycle, according to its Director, Dr. Dave Wanser. NorthSTAR has a 1915 (b) waiver to limit managed care choices.

NorthSTAR began operation a year ago. Serving SSI, TANF, dual eligibles (Medicare and Medicaid) and the majority of Medicaid consumers, in the TX counties of Dallas, Collin, Hunt, Rockwell, Ellis, Navarro and Kaufman, it is based on a blended funding model and is the only managed care carve out to offer a choice of two plans. Or, was. Less than a year into the program, one of the plan providers, the Magellan Company, dropped out. The issue is profitability. "Magellan is a publicly traded company and made decisions based on stock prices," says NorthSTAR Director Dr. Dave Wanser, adding, "We wrote a good, tight contract." The other company, privately owned Value Options, continues to see NorthSTAR as viable and the state is looking for a replacement for Magellan, hoping to have a new provider in place early next year.

But Dr. Tom Turnage, Executive Director of the Dallas Area NorthSTAR Authority suggests that even Value Options may be having trouble with financial viability. "Things are just beginning to tighten down," he says. "Value Options is tightening the screws and there are complaints." To Turnage, money is key: "If there was sufficient funding, it would work tremendously." But as it is, he sees some trouble signs. Services have gone down, he believes, although not tremendously. In addition there are complaints about length of stay in the residential program, two rural counties lack providers and there are issues with children's treatment. Turnage does see some good in the new system because it gives MH consumers choice by offering a variety of providers, not just the community MH centers.

Wanser says the five community mental health centers in the NorthSTAR area are the most unhappy with the new system, under which they must bill on a per person rather than contractual basis. One center closed down programs and lost market share as a result. But Wanser says others have tried to work within the

system and are doing well.

Wanser's view is that in general both counties and consumers are satisfied. Two hundred and forty thousand people are now enrolled in NorthSTAR, which is a huge increase in access. "In the first 10 months 30,000 were served," says Wanser, "That's 30 to 40 percent more than the previous system." But Turnage points out that NorthSTAR opened the door to everyone and, if people were screened, they would have been determined ineligible for treatment. "Put candy in front of people and they're going to eat," he says.

Legislature

When the Texas legislature meets early next year, it will review a Health and Human Services Commission report on state Medicaid managed care, including NorthSTAR. The report recommends changes such as assessing the number of plans the state should contract with. Both Wanser and Turnage think there won't be any changes this time around but neither will rule them out for the future.

Says Turnage, "There are some providers whose only agenda item is to redo NorthSTAR or do away with it. Some legislators are beginning to listen to them." According to Turnage, the providers include community health centers and drug and alcohol providers.

Wanser predicts that while NorthSTAR or something like it may not eventually go statewide, things in TX will not remain the same either. "The insurance model, rather than just funding a program, makes sense."

Waiver Renewal

NorthSTAR has already gone through a half dozen evaluations and will go through several more to obtain its next HCFA waiver. The last one took eight months. Wanser says the process was complicated by the inclusion of such a large indigent population. Much of HCFA's scrutiny was focused on cost effectiveness, overseen by OMB. Wanser said, "Most of the time and effort involved was with helping OMB figure this out."

Position Announcements

Executive Director

NORTHWESTERN COMMUNITY SERVICES seeks an Executive Director to administer the operations of this public, non-profit organization. NWCS is an established, innovative agency located in the Northern Shenandoah Valley, approximately 80 miles from Washington, DC. NWCS serves 6 localities with an annual budget of \$10 million, providing services to over 5,000 citizens. The successful candidate will possess a combination of advanced degree in a related professional field and progressively responsible administrative experience demonstrating:

- Ability to lead and manage a dynamic behavioral health organization using inclusive management and proactive leadership style.
- Ability to build and maintain effective relationships with federal, state and local governing bodies, funding agencies and services providers.
- Extensive knowledge of procedures insuring agency compliance with regulatory standards of quality measures.

NWSC offers an attractive compensation package. For consideration resume and application must be

received by January 31, 2001. Applications can be obtained by calling the Human Resources Office at (540) 636-4250 or writing to the following address:

Search Committee
Beverly Grant, HR Manager
Northwestern Community Services
209 West Criser Rd., Suite 300
Front Royal, VA 22630

Senior Director, Government Affairs

THE NATIONAL MENTAL HEALTH ASSOCIATION will shortly be posting a position (to fill a vacancy) for Senior Director in the Government Affairs Department to work on issues including Medicaid, SCHIP, and managed care. Hill experience on those issues, a strong analytical background, and excellent communication skills are required. Advanced degree is a plus. Salary commensurate with experience. While we are not in a position to respond to telephone inquiries on the position, we would welcome those who are interested to send a cover letter, resume, and a 2 - 4 page writing sample by FAX to Ralph Ibsen at 703-684-5968.

PUBLICATIONS AVAILABLE:

Consumer Viewpoints: Mental Health Care in America Update

Follow up to the survey completed earlier this year of county behavioral health directors. This survey summarizes the discussion among consumers about the impact of the new generation of antipsychotic drugs and how they believe the problems of stigma can be overcome. Consumers discuss obstacles to access and opportunities for employment and education.

The original survey, *Mental Health Care in America: County Behavioral Health Authorities Speak Out* is also available.

The Georgia Story: How to Successfully Restore a State Hospital Cemetery, a technical assistance manual funded by the Center for Mental Health Services as a project of its National Empowerment Center.

Please contact the NACBHD office: (202) 234-7543 or Lauren@nacbhd.org to order your free copies.

The Mood Disorder Questionnaire (MDQ) was designed to identify minimum critical criteria necessary to diagnose Bipolar Spectrum Disorder and to assess the sensitivity and specificity of this threshold. It was developed under the guidance of the National Depressive and Manic-Depressive Association and Abbott Laboratories. An interactive version is now available on DMDA's web site at www.ndmda.org.

FROM THE HILL – FINAL YR. 2000 REPORT

The FY 2001 Labor-HHS Appropriations Conference agreement provides \$203.6 million for the Center for Mental Health Services (CMHS) Knowledge Development and Application Program (an increase of \$67 mil. over the FY 2000 funding level), and provides the following earmarks within the total provided:

- \$90 million for school-related youth anti-violence initiatives;
- \$3 million for suicide prevention hotlines;
- \$10 million to support up to 22 grants to local mental health providers providing mental health services to children and youth suffering from post-traumatic stress disorder;
- \$2 million to support professional training in restraints and seclusion in residential and day treatment center for children and youth;
- \$2 million to provide additional support for minority fellowships in mental health;
- \$7 million for treatment of mental health disorders related to HIV disease, with an emphasis on minority community-based providers;

Although no earmark appears, the conference report states, “funds are included to provide grants to local communities to improve mental health screening and referrals in non-mental health settings (i.e., the Targeted Capacity Expansion Program that was not funded) and, to continue support for jail diversion programs for non-violent mentally ill offenders.

Finally, there are close to \$11 million in earmarks for projects and activities to be carried-out in FY 2001.



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