Payment Methodologies for BHOs, Health Plans in Early Adopter Regions, and State Hospitals

BEHAVIORAL HEALTH ORGANIZATIONS (BHOs)

What is included in the BHO rates?

The BHO Medicaid rates include funding for Mental Health as well as Chemical Dependency services. The services that are included in the rates are:

Mental Health

Outpatient Services costs: Crisis services, medication management, Residential Treatment, and other outpatient services

Inpatient Treatment: Voluntary and involuntary community inpatient treatment which doesn't include the state hospitals

Substance Use Disorder

Community Engagement and Referral Services: Brief intervention

Triage Services: Detoxification services

Outpatient Treatment Services: Assessment, Outpatient treatment, Opiate Substitution Treatment, Case Management

Residential Treatment Services: Intensive Inpatient (30 days), Long Term Residential (60 days), Recovery House

How are state hospital penalties calculated for the BHOs and early adopter contractors?

Background: RCW 71.24.310 has the following requirements:

1. Each BHO has a contracted number of beds that they are allowed to utilize at the State Hospital. The BHO's come to agreement about the allocation of the beds or if they are unable to, the State will set the allocation. Please see Appendix A for more detail.
2. Any BHO who exceeds their contracted census must reimburse the State for the cost of the hospital bed.
3. The State is then directed by statute to divide any collected funds between the State Hospital and the BHO's who were not over their allocation.
4. Appendix B shows Penalties assessed and who paid and who received the penalty funds for Calendar Year 2015.

We operationalize this in the contracts between the BHO's and the DSHS in the following way:

The BHO pays reimbursement for each State Hospital Patient Day of Care that exceeds the Contractor's daily allocation of State Hospital beds based on a quarterly calculation of the bed usage by the BHO.

The Contractor may not enter into any agreement or make other arrangements for use of State Hospital beds outside of the agreed-upon allocation in the contract.

Any changes to the allocation requires an amendment to the contract, and will become effective the 1st day of the quarter following the effective date of that amendment.

The current rate for reimbursement for Eastern State Hospital is $691.00 per bed per day.

The current rate for reimbursement for Western State Hospital is $549.00 per bed per day.

DSHS bills the BHO quarterly for State Hospital Patient Days of Care exceeding their daily allocation of State Hospital beds based on the quarterly net census overage.

If at the end of a Quarter, BHO has utilized less than the Contractor's allocation of State Hospital beds and reimbursements have been collected from other BHOs, the BHO receives a payment in accordance with the following methodology which is calculated separately for the Western and Eastern BHOs:

Fifty percent (50%) of the reimbursements collected by DSHS from Eastern or Western BHOs for State Hospital Patient Days of Care exceeding their quarterly allocation of State Hospital beds will be distributed to those BHOs who used fewer Patient Days of Care than their quarterly allocation of State Hospital beds.

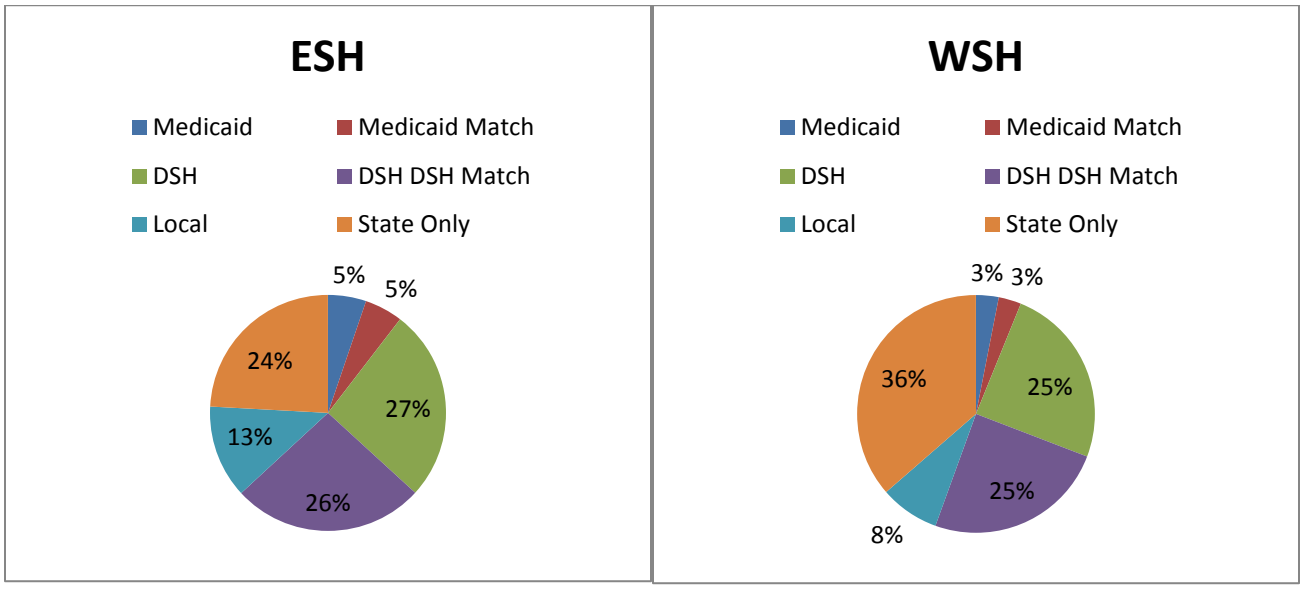
Each BHO using fewer Patient Days of Care than their quarterly allocation of State Hospital beds will receive a portion of the reimbursement collected proportional to its share of the total number of Patient Days of Care that were not used at the corresponding State Hospital.

STATE HOSPITALS

Revenue

Expected FY17 revenue sources:

	ESH	WSH	Total
State	42,074,000	120,706,000	162,780,000
Medicaid	3,942,250	5,790,000	9,732,250
DSH	19,904,750	46,443,000	66,347,750
Local	9,616,000	15,174,000	24,790,000
Total	75,537,000	188,113,000	263,650,000



State Hospital Charge, Medicaid, & Cost Rates
WSH - $549 ESH - $691 CSTC – $837.50

Charge Rate – The amount the state hospitals are allowed by law to charge a patient, insurance company, and Medicaid.

Medicaid Rate – The rate used to claim Medicaid. Determined using Medicare cost reporting statistics.

Cost Rate – Reflects the cost of operating the hospitals:

- Includes prior year expenses
- Inflation on supplies, drugs, food, utilities, etc. ,
- Any known new expenses (such as pay increases and other legislation),
- Equipment and plant depreciation, bad debt, headquarters costs, and bond interest that are not appropriated.

Revenue Requirements - Medicaid, Medicaid Disproportionate Share Hospital Payments (DSH), Medicare A, and Commercial Inpatient Hospital Insurance revenue requires CMS hospital Accreditation and Medicare Psychiatric hospital Certification. (Currently WSH is under a Systems Improvement Agreement that is allowing continued earnings; however, if found unable to comply, will lose ability to earn federal funding.)

Cost of Care - By law, both civil and forensic patients are responsible for cost of care. Civil and forensic patient's health care coverage is billed as well as the individual patients. **Revenue from sources listed below must be earned by providing the patient a covered service and collecting from the patient and/or <u>patients health insurance.</u>**

Medicaid - Patients 65 and older and 18-21 are eligible for Medicaid coverage. Medicaid covers the day, Professional and ancillary (Docs, lab, radiology, therapies). Medicaid considers the state hospitals Institutions for Mental Disease (IMD). IMD Status excludes 22-64 year olds from participation in Medicaid. The hospitals claim and collect 100% all Medicaid claims.

Medicaid Disproportionate Share Hospital Payments (DSH) - DSH covers uninsured patients who are 22-64 years old. Both uninsured Civil and Forensic patients qualify for DSH benefits if on a certified ward and if certified inpatient by the attending Physician. Uninsured means no insurance or inpatient benefit is exhausted. The Federal DSH allotment is expected to be reduced in Fiscal Year 2017 because of the Affordable Care Act (ACA).

Medicare A & B - Many State hospital patients (18-64) have Social Security Disability status and are eligible for Medicare. Medicare Payment Rates are set by the Centers for Medicare and Medicaid Services (CMS). Medicare Part A pays for Per Diem at about $1,000 per day early in the stay and reduces payment to about $700 per day as the stay continues. Payment includes drugs. Part B Professional and some ancillary services are paid on a separate fee for service basis. (CPT codes)

Medicare Part D - The state contracts with about 9 plans for pharmacy payments. Payment Rates are negotiated with each insurance plan (average wholesale price + 12% to 16% + a dispensing fee of $4 to $5). Billing is done out of the hospital pharmacies real time, similar to commercial pharmacies.

Patient Payments - Patient payments are primarily co-insurance paid by SSA or SSI when the hospital is the payee. Patient ability to pay is applied to a sliding scale that begins at the Medicaid rates for both per diem and the professional / ancillary charges.

Insurance - Insurance plans generally pay the Medicaid rate for WSH - $549, ESH - $691, and CSTC - $837. If the state establishes a contract, plans pay from $800 to $900 per day. Professional and ancillary fees are paid according to the plan payment schedule. Other payers include Labor and Industries and Auto Insurance companies.

BHO Penalties - The reimbursement rate per day shall be the hospital's total annual budget for long-term inpatient care, divided by the total patient days of care assumed in development of that budget. Current BHO Penalty Rates: WSH $549, ESH $691.

Decertified Patients - A decertified patient has been deemed no longer requiring an inpatient level of care by the attending physician. The patient has progressed to the point where outpatient services are adequate. Decertified patients are eligible for – Medicare, Commercial Insurance & Medicaid for professional services & drugs. Decertified Patients are not eligible for- DSH, Medicare Part A, Medicaid, commercial insurance for inpatient days. The decertified patients continue to be responsibility for cost of care and are subject to BHO penalty.

- 77 decertified patients on Certified Wards (March 2016)
- 89 decertified patients on De-certified Wards (March 2016)
- 44 Insurance decertified patients in residence at WSH and 0 at ESH (March 2016)

State Hospital Revenue Collection Cycle—See Appendix C

Settings available for Inpatient Psychiatric Treatment—See Appendix D

Comparison of Medicaid/Non-Medicaid Rates for Community Hospitals and Evaluation and Treatment Facilities

Inpatient Hospital Medicaid & State Rates
Effective February 1, 2016
Washington State - Health Care Authority
First Posted: January 15, 2016

HCA Inpatient Payments	Medicaid	State Only
Hospital	Psych_Per Diem	Psych_Per Diem
Fairfax Hospital *	789.95	671.67
Grays Harbor Community Hospital	889.44	756.09
Group Health Central Hospital	718.67	611.06
Harborview Medical Center *	1,294.00	1,101.13
Lourdes Counseling Center *	746.00	634.57
Navos - West Seattle Campus *	789.95	671.86
Northwest Hospital And Medical Center *	1,088.00	925.81
Providence Sacred Heart Medical Center And Childrens Hospital *	891.41	757.68
Providence St. Peter Hospital	1,191.00	1,013.15
Tacoma General Hospital	823.96	700.42
Toppenish Community Hospital	718.67	611.61
University Of Washington Medical Center	1,325.00	1,126.22
Yakima Valley Memorial Hospital *	1,010.54	859.85

*Certified as and Evaluation and Treatment Center (can admit involuntary patients)

See more detail and other hospitals at the links below: http://www.hca.wa.gov/medicaid/hospitalpymt/Documents/inpatient_pps_mcaid_201602.pdf

http://www.hca.wa.gov/medicaid/hospitalpymt/Documents/inpatient_pps_state_201602.pdf

E & T Beds – E & T beds average about $800 per day for services. This does not include room and board.

Facility	BHO	City	County	Actual E&T Program Beds
Greater Lakes E&T (Pierce County)	Optum	Parkland	Pierce	16
MDC E&T	Optum	Tacoma	Pierce	16
Recovery Pathways E & T (Recovery Innovations)	Optum	Lakewood	Pierce	16
Telecare Pierce County E&T	Optum	Lakewood	Pierce	16
Thurston County Evaluation and Treatment Center	SWBH	Olympia	Thurston	15
Two Rivers Landing (adolescent)	Optum	Yakima	Yakima	15
Bridges E&T (Comprehensive) Adults	Optum	Yakima	Yakima	16
Snohomish County Evaluation and Treatment	King	Mukilteo Sedro	Snohomish	15
Telecare North Sound E&T	King	Woolley	Skagit	16
Kitsap Mental Health Services Inpatient Unit - Adults	Salish	Bremerton	Kitsap	15
Kitsap Mental Health Services Inpatient Unit - Youth	Salish	Bremerton	Kitsap	10
Spokane Mental Health Calispel E&T	Spokane	Spokane	Spokane	16
Spokane Mental Health - Foothills E&T	Spokane	Spokane	Spokane	16

ALTSA Funding

The Aging and Long Term Supports Administration (ALTSA) programs are predominantly Medicaid services, meaning the state funds a portion of the costs and the federal Medicaid program provides matching funds. This includes nursing homes and other residential settings such as Assisted Living Facilities and Adult Family Homes and in-home care provided by Individual Providers and home care agencies. More detail on the programs can be found in the ALTSA Strategic Plan.

Services available through ALTSA for people with mental health conditions:

- Personal care services, Skills Acquisition Training, Transition Services are available to all eligible LTSS clients through the Community First Choice State Plan option
- Additional services are available through the COPES waiver to include: nurse delegation, skilled nursing, home-delivered meals, adult day services.
- ECS and Specialized Behavior Support provides a team of specialists who offer behavior support and consultation (medication reviews, in-person training and consultation to provider and resident)
- For individuals not on ECS, ALTSA has a behavior support contract through Client Training (not all regions have providers)

Services available through BHA or HCA:

- 12 episodes of mental health support through Apple Health
- Community Mental Health Services for those who are deemed as medically eligible for mental health treatment
    - Can provide out-patient mental health support in place of residence, though this is less robust than what residential/SNF providers sometimes expect (they are individualized to client need and not geared to provide training/support/consultation to care providers)
    - Case management services
    - Crisis lines available to anyone
    - For those eligible: PACT, other intensive out-patient MH supports

Identified WSH clients ready for discharge to community with long term care needs:

- 48 people have been referred by WSH to HCS who are currently listed as ready for discharge
    - Average age: 55 years old
    - All have personal care needs that are likely to meet ALTSA functional eligibility
        - 3 have Dementia as the primary diagnosis
        - 1 has a primary diagnosis of poly-substance abuse
        - All others have a primary diagnosis related to persistent mental illness (schizoaffective, schizophrenia, or mood disorders) with additional complications related to substance abuse or medical conditions
    - An additional 26 have been referred but they are currently indicated as on-hold by WSH for various clinical reasons
        - One individual referred but on hold has a primary diagnosis of cognitive disorder
        - All of the others have a primary psychiatric diagnosis

Expanded Community Services (ECS):

- Based on payment data, 491 people received ECS services in January 2016
- 59 people are currently served in ECS nursing homes
- More than 500 individuals were served in ECS residential in 2015

Enhanced Service Facilities:

There are two ESF's in the licensing process, both are expected to open in June.

- UpRiver Place is an 8 bed facility in Spokane. Eight individuals have been identified to move into the facility from ESH.
- Orchard Highlands is a 12 bed facility in Vancouver. Ten individuals have been identified to move into the facility from WSH and an additional 2 are in the process of final confirmation.

ESF Funding

- 2013-15 Biennium funding (including 2015 Supplemental reduction):
    - $727,000
- 2015-17 Biennium funding (including Biennial and Supplemental reductions):
    - $4,447,000
    - Originally assumed capacity of 42 clients at $282/day
        - In order attract qualified providers, new rate offered is $425/day
        - Revised funding capacity is 28 clients
- 2017-19 Biennium funding
    - $8,720,000

Adult Family Home Specialized Behavior Support Add-On Rate

Article 7.3 of the 2015-17 Collective Bargaining Agreement with the Washington State Residential Care Council (now Adult Family Home Council) stipulates an add-on rate of $104.33 per day in addition to the daily base rate shall be in effect through June 30, 2017 for providers who contract to provide specialized behavior support services. To date, 20

clients have been served by this program. Currently, there are nine people receiving this service. All of these people have entered the service from either one of the state hospitals or were diverted from a state hospital placement after local psychiatric stay.

Additional community placements funded in the 2016 Supplemental budget:
In addition to ESF funding, the legislature appropriated funds to place people from WSH in long term care community settings (SSB 6656):

- 30 clients total, to be transitioned by January 1, 2017
  - 20 assumed to go into ESF (already funded)
  - 10 assumed to go to other settings
- FY17: $1,075,000
- FY18: $1,424,000
- FY19: $1,424,000
- Average daily rate is $389/day

Appendix A

Allocation of Eastern and Western State Hospital Beds

The bed allocation formula is calculated by taking into account prevalence of serious mentally ill (SMI), RSN/BHO outpatient service utilization, and calculated bed need based on historic state hospital utilization. This methodology has not changed since the allocation model was developed in 2012 with input from RSNs.

Step 1: Calculate beds based on prevalence.

Step 2: Calculate the RSN's relative need for beds.

Step 3: Adjust bed allocation by need for bed.

Formula for Calculating Bed Allocation:

$$\text{RSN SMI Prevalence} \times \left[\frac{\text{RSN per cap Bed Need}}{\text{State per cap Bed Need}} \right] \times \text{Total Beds Available}$$

Additionally, SMI rates for homeless populations is also taken into account in the prevalence estimate. It is not a separate factor, but is used to adjust the prevalence factor based on the homelessness population in the RSN.

Appendix B

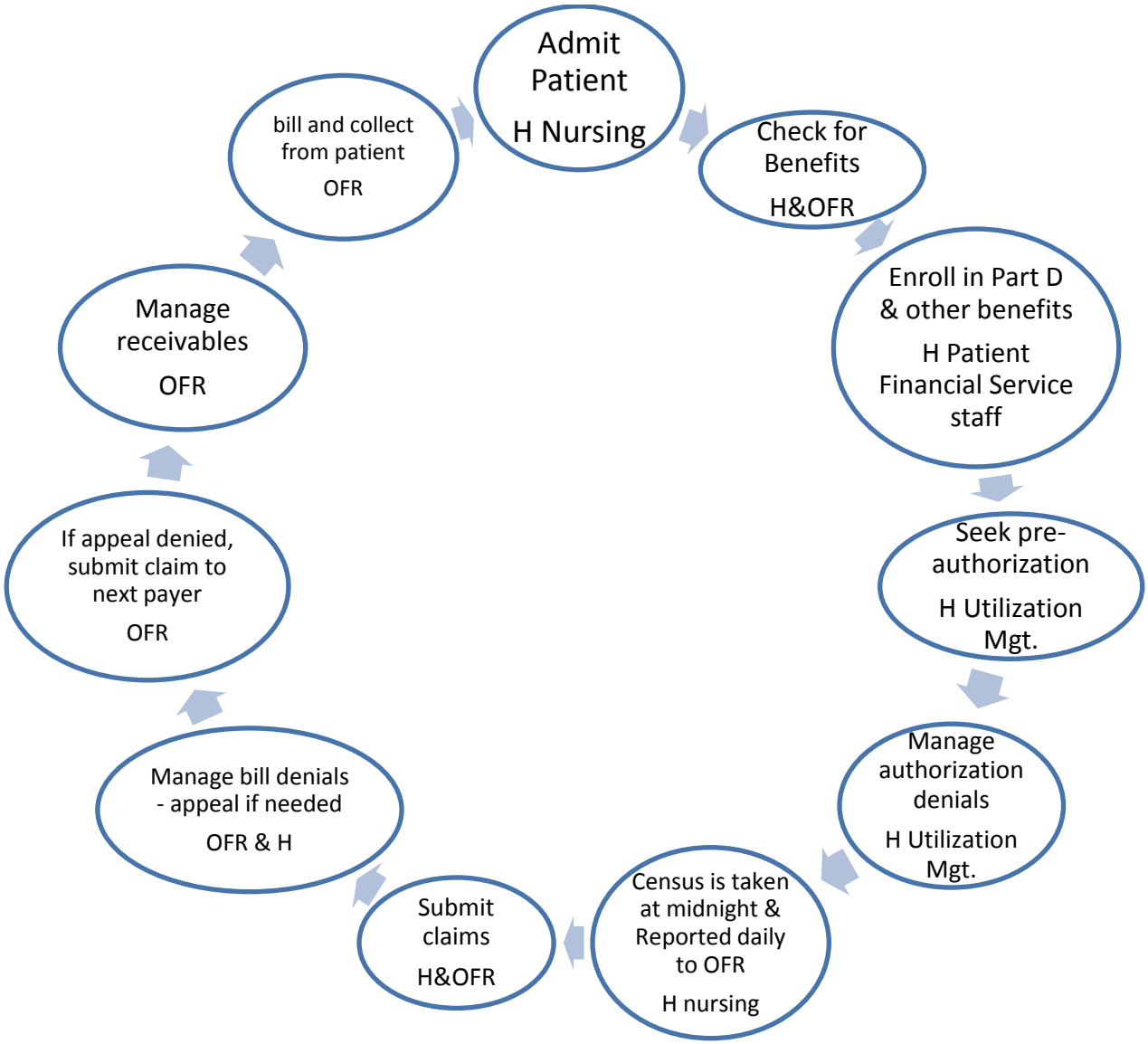
DSHS/BHA/Mental Health
Statewide Summary of Hospital Reimbursement-RSN and Hospital Information
(Over Census Revenue)
Calendar Year 2015

			Quarter Ending 3/31/15	Quarter Ending 6/30/15	Quarter Ending 9/30/15 New Bed Allotments-WSH	Quarter Ending 12/31/15	TOTAL	
BILLINGS TO RSNs								
Region	**RSNID**	**RSN**						
East	SP	Spokane RSN		104,046.48	204,074.00	162,526.00	470,646.48	
East	GC	Greater Columbia RSN					-	
East	CD	Chelan / Douglas RSN					-	
		Total	-	104,046.48	204,074.00	162,526.00	**470,646.48**	
West	TI	Timberlands RSN					-	
West	TM	Thurston / Mason RSN	102,696.80	51,348.40			154,045.20	
West	SWBH	Southwest WA Behavioral Health					-	
West	PI	Pierce RSN					-	
West	PE	Peninsula RSN					-	
West	NS	North Sound RSN	92,528.80				92,528.80	
West	KI	King RSN	26,436.80	212,511.20			238,948.00	
West	GH	Grays Harbor RSN	58,974.40	46,264.40	155,267.00	12,984.00	273,489.80	
							-	
		Total	280,636.80	310,124.00	155,267.00	12,984.00	**759,011.80**	
		State Wide Total	280,636.80	414,170.48	359,341.00	175,510.00	**1,229,658.28**	
PAYMENTS TO RSNs								
Region	**RSNID**	**RSN**						
East	SP	Spokane RSN					0.00	
East	GC	Greater Columbia RSN		48,277.69	91,056.64	70,133.77	209,468.10	
East	CD	Chelan / Douglas RSN		3,745.55	10,980.36	11,129.23	25,855.14	
		Total	0.00	52,023.24	102,037.00	81,263.00	**235,323.24**	38%
West	TI	Timberlands RSN	27,385.11	32,271.79	5,423.74	424.19	65,504.83	
West	TM	Thurston / Mason RSN			4,585.53	45.23	4,630.76	
West	SWBH	Southwest WA Behavioral Health	12,480.83	39,946.18	10,921.45	854.82	64,203.28	
West	PI	Pierce RSN	17,933.61	4,132.36	6,409.88	432.80	28,908.65	
West	PE	Peninsula RSN	82,518.85	50,965.81	5,127.90	971.11	139,583.67	
West	NS	North Sound RSN		27,745.86	19,451.52	2,036.96	49,234.34	
West	KI	King RSN			25,713.48	1,726.89	27,440.37	
West	GH	Grays Harbor RSN					0.00	
		Total	140,318.40	155,062.00	77,633.50	6,492.00	**379,505.90**	62%
		State Wide Total	140,318.40	207,085.24	179,670.50	87,755.00	**614,829.14**	
REIMBURSEMENT TO HOSPITALS								
		Eastern State Hospital		52,023.24	102,037.00	81,263.00	235,323.24	
							-	
		Total to ESH	-	52,023.24	102,037.00	81,263.00	**235,323.24**	
		Western State Hospital	140,318.40	155,062.00	77,633.50	6,492.00	379,505.90	
							-	
		Total to WSH	140,318.40	155,062.00	77,633.50	6,492.00	**379,505.90**	
		Total to Hospitals	140,318.40	207,085.24	179,670.50	87,755.00	**614,829.14**	

BALANCE	9/30/15	12/31/15	3/31/16	6/30/16	TOTAL
Eastern Washington	-	(0.00)	-	-	(0.00)
Western Washington	-	-	-	-	-

Appendix C

State Hospital Revenue Collection Cycle – Once a patient is admitted to the hospital, Hospital Patient Financial Service Staff (PFS) work with the Office of Financial Recovery (OFR) to determine healthcare benefits. PFS enrolls the patient in insurance, Social Security, Medicaid, Medicare, if eligible. Utilization Management nursing staff seek insurance authorizations and manages continued authorization and denials. Nursing takes the census used for billing at midnight and hospital staff audit the data and send it to OFR daily. Professional and ancillary claim data is generated by hospital staff and is also sent to OFR. OFR submits all bills to Medicare, Medicaid, Insurance companies, and the patient. Hospital staff bill and collect Medicare Part D for covered drugs directly from the pharmacies. Hospital staff collect patient medical information to justify the bill for a denial and send it to OFR. If the appeal is denied, OFR will bill the next payer. OFR manages receivables and bills any remaining costs of the patient stay to the patient based on a sliding scale. Below illustrates the revenue collection cycle:



Appendix D
Psychiatric Inpatient Treatment

Inpatient Treatment Services are acute ambulatory treatment services provided in a structured setting for consumers whose mental illness is not responsive to lower-level interventions such as crisis services, outpatient services, crisis stabilization, and residential services. Inpatient Treatment may be either voluntary or involuntary and typically involves a combination of group and individual therapy coupled with medication management in a highly structured setting.

Inpatient psychiatric treatment is funded through Medicaid, Medicare, and Third party liability.
The RSN/BHOs are responsible for the costs of medically necessary voluntary stays and short-term commitments. By statute, long-term commitments are the state's responsibility.

Washington's psychiatric Inpatient services are comprised of three distinct components:

- State psychiatric hospitals
- Community hospitals and community psychiatric hospitals
- Freestanding evaluation and treatment centers

State Hospitals

The State Hospitals engage people in their recovery by providing evidence-based interventions to assess, diagnose, treat and transition back to the community.

Individuals are authorized for admission to WSH by court order for 90 or 180-day commitments. With very rare exceptions, WSH does not accept voluntary admissions. Civil admissions to WSH are typically transfers from community hospitals and freestanding evaluation and treatment centers. These are individuals who after the initial commitment to the hospital or E&T have been stabilized, but still meet criteria for detention and need continued treatment before they can be returned to their communities.

Individuals admitted to Eastern State Hospital ESH are authorized for admission by a civil court order for commitments that can range from 72 hours, 14 days, 90 days, or 180-days. Unlike WSH, ESH acts as an Evaluation and Treatment Center and can accept individuals who are on 72 hour petitions and 14 day orders. As with WSH, Eastern State also has a forensic unit which provides competency evaluation and restoration.

Treatment services include assessment, diagnosis, medication management, milieu, individual, recreational and habilitative therapies. Three psychiatric treatment and recovery centers located on campus provide services to people who are civilly committed, assisting them in earning increasing levels of independence as they progress through the programs.

Court ordered forensic services for competency, capacity and restoration are provided through the Center for Forensic Services (CFS) located on East campus. Jail and community-based competency evaluations are offered locally.

Community Hospitals

Community hospitals include psychiatric hospitals, acute care hospitals, and psychiatric units. These hospitals are licensed through the Department Health. However, for a community hospital to accept and treat involuntary patients the hospital must be certified by the Division of Behavioral Health and Recovery (DBHR) as an Evaluation and Treatment Center (E&T), which signifies that they meet all of the requirements for treating and managing individuals detained under RCW 71.05.

Currently there are 26 psychiatric hospitals and community hospitals with distinct part units, of which 17 are certified as E&Ts and able to take both voluntary and involuntary patients.

Freestanding Evaluation and Treatment Centers

Freestanding Evaluation and Treatment Centers provide psychiatric residential treatment in non-hospital settings licensed by the Department of Health and certified by the DBHR. They provide medically necessary acute psychiatric inpatient services to ambulatory individuals who would otherwise meet hospital admission criteria. There are currently 16 Freestanding E&Ts in the state.

At a minimum, services include evaluation, stabilization and treatment provided by or under the direction of licensed psychiatrists, nurses and other mental health professionals, and discharge planning involving the individual, family, and significant others so as to ensure continuity of mental health care. Nursing care includes, but is not limited to, performing routine blood draws, monitoring vital signs, providing injections, administering medications, observing behaviors and presentation of symptoms of mental illness. Treatment modalities may include individual and family therapy, milieu therapy, psycho-educational groups and pharmacology. The individual is discharged as soon as a less-restrictive plan for treatment can be safely implemented.

Unless an exception-to-rule has been granted by the department, DBHR must authorize exceptions for involuntary length of stay beyond a fourteen-day commitment.