

Section B Senators and Representatives.

**Regarding: step-by-step proposal regarding the Magellan contract**

1. In DPHHS, Developmental Services Division, Children's Mental Health Bureau. Reduce total funds by \$1.7 million each year in FY12 and FY13 (\$-425 K general fund per year, \$-1,275,000 federal funds per year) in the operations account of the CMHB Administration Reporting Level for the Magellan contract.
2. In DPHHS, Developmental Services Division, Children's Mental Health Bureau. Increase total funds by (approximately) \$1.3 million each year in FY12 and FY13 (+\$425 K general fund per year, approx +\$875 K federal Medicaid funds at the FMAP) in the client benefits account of the Medicaid Benefits Reporting Level to increase the rate for Children's Mental Health Targeted Case Management.
3. The following language could also be included in HB2 to ensure that the department uses the funding to increase the CMHB TCM rate closer to the level identified in the department's cost study for this rate.  
"Included in the line item for DPHHS, Developmental Services Division, Children's Mental Health Bureau, is \$1.3 million for increasing the CMHB TCM rate to at least \$16.50 per 15-minute increment."

restricted

**Rationale:**

**Magellan:** The Children's Mental Health Bureau of the Developmental Services Division in DPHHS contracts with Magellan, an out-of-state company, for \$1.7 million per year to prior-authorize services.

The lack of following department policies and clinical foundation has led the department to consider reversing all denials by Magellan back to November 2010. The efficacy of the services provided by Magellan is questionable. For example, Magellan's utilization review for Fiscal Years 2008 – 2010 denied (in whole or in part) 159 requests out of 20,371 requests, for a reduction in units of service by 13,452 from a requested 1,971,410 units. This equates to a reduction of 0.7% of the total units, for a savings of approximately \$173,000 (\$60,000 general fund) in these three years. The cost for the utilization review from Magellan was approximately \$2.4 million (\$600,000 general fund) for these three years.

In addition to the lack of cost benefit of the Magellan contract, the administrative burden on community providers in dealing with Magellan is approximately \$1 million per year.

**TCM rate:** The department's cost study of children's mental health case management rates determined that the rate should be increased from \$12.86 per unit to approximately \$18.00 per unit. This motion would move the rate to \$16.50.

G. The total reimbursement provided to the Contractor for the purposes of this contract may not exceed the following:

- a. \$1,167,268 for the period of July 1, 2005 through June 30, 2006.
- b. \$1,454,268 for the period of July 1, 2006 through August 31, 2007.
- c. \$1,575,789.18 for the period of July 1, 2007 through June 30, 2008.
- d. \$1,637,852.84 for the period of July 1, 2008 through June 30, 2009.
- e. \$1,706,353.65 for the period of July 1, 2009 through June 30, 2010.

**ATTACHMENT C (PRCING SHEET)**

**Attachment C of this contract has been modified to increase pricing for the services performed under this contract, and is included herein**

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