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Children, Families, Health, and Human Services Interim Committee
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MENTAL HEALTH STUDIES
MEDICAID PAYMENT METHODOLOGIES

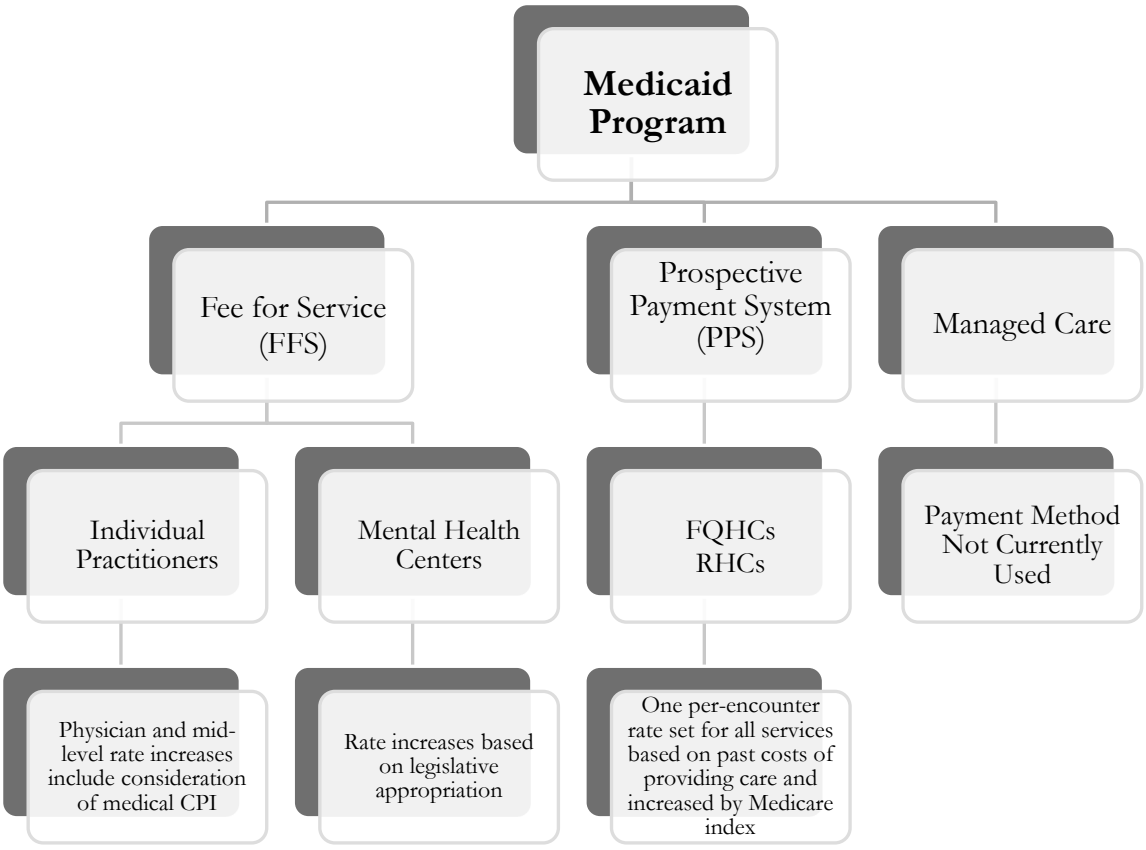
BACKGROUND

Federal law requires that payments made to health care providers participating in the Medicaid program be:

- "consistent with efficiency, economy, and quality of care;" and
- sufficient to provide Medicaid enrollees with the same access to care as is available to the rest of the state's residents.

Within that framework, states can decide how much to reimburse Medicaid providers and in what manner. Often, they use a variety of approaches that differ based on the services being provided or the types of providers who are delivering the services.

This briefing paper summarizes three types of Medicaid payment models discussed earlier in the interim. The graphic below illustrates the three methods and the providers to whom they apply.



FEE FOR SERVICE

Montana uses a fee-for-service (FFS) payment model for most Medicaid services delivered by individual practitioners, hospitals, and mental health centers. Under this method, payment is made for each service provided by the facility or practitioner, based on a fee schedule that is set by rule each year. With some exceptions, increases to the fee schedule depend on the amount of money appropriated by the Legislature.

The Legislature generally expresses its intent for any additional appropriations by specifying an across-the-board increase in provider rates as part of the language of House Bill 2, the general appropriations act. For example, HB 2 in 2021 included language indicating provider rates should increase 1% in Fiscal Year 2022 and 2% in FY 2023, for most Medicaid providers paid on a fee-for-service basis.

PER UNIT VS. DAILY OR WEEKLY RATES

Mental health services are generally reimbursed using either a per-unit, per-day, or weekly rate, depending on the service. Most therapy delivered by individual practitioners is paid based on the length of service provided. Services delivered by group homes, adult foster care, or crisis stabilization facilities, on the other hand, are generally paid at a daily rate that covers all the services provided in that setting, including any therapy or other support services a person receives. Services delivered as part of the Program for Assertive Community Treatment are reimbursed at a weekly rate that covers a range of services provided by an interdisciplinary team.

INCENTIVE OR SUPPLEMENTAL PAYMENTS

A state also may use supplemental or incentive payments as part of its rate structure. These rates can be based on characteristics specific to a provider, a recipient population, or area of the state. Montana has incorporated these additional payments in ways that affect two types of mental health services.

FRONTIER PAYMENT ADJUSTER

In FY 2020, Montana added a "frontier rural differential" payment for two children's mental health services — targeted case management and home support services. When the services are provided in a county with fewer than seven people per square mile, the provider is reimbursed at 115% of the current fee schedule.

In its administrative rule notice for the targeted case management payment, the Department of Public Health and Human Services said it was increasing the rate for frontier counties to improve access to the service and "address the additional costs a provider incurs when serving remote communities."

All but 10 counties in Montana qualify for the frontier payments. The rate does not apply to Cascade, Deer Lodge, Flathead, Gallatin, Lake, Lewis and Clark, Missoula, Ravalli, Silver Bow, and Yellowstone counties.

PHYSICIAN PAYMENT ADJUSTER

In 2007, the Legislature created a statutory requirement that the physician services conversion factor, used in setting physician rates, must reflect the increase in the consumer price index for medical care each year. Advocates of the change said it was necessary to ensure that physicians continued to serve Medicaid patients.

DPHHS reimburses mid-level practitioners such as advanced practice registered nurses and physician assistants at 90% of the physician rate.

PROSPECTIVE PAYMENT SYSTEM

Federal law requires that federally qualified health centers (FQHCs) and Rural Health Clinics (RHCs) be paid using the prospective payment system (PPS) model. Under this approach, Medicaid pays each facility a flat rate for each patient encounter. The rate is designed to reflect the facility's total cost of providing services to all patients, including not only direct care but also the costs of nursing support, lab tests, and other associated costs.

The rate is the same for each payable encounter that a patient has with a core provider, regardless of the type or duration of the service provided during the patient visit. The facilities are not reimbursed separately for components of a visit, such as radiology or basic laboratory services. Rates also are specific to each facility, reflecting the range of services a facility offers. For example, some FQHCs and RHCs provide dental services or have satellite sites and may have higher operating costs than other facilities.

When the PPS model was initially put in place, the rates were developed using the facility's costs of providing care in fiscal years 1999 and 2000. Rates are adjusted annually using the Medicare Economic Index and may be adjusted at a facility's request, as well, if the clinic has changed its scope of services.

PPS IN THE CCBHC MODEL

A limited number of states have taken part in a federal demonstration project for an integrated physical and behavioral health model known as Certified Community Behavioral Health Clinics (CCHBCs). The federal law establishing the demonstration project calls for use of the PPS reimbursement model for the services provided. Legislation is pending in Congress to allow any state to participate in the demonstration program and receive payment under the PPS method.

In Montana, three mental health providers have received federal grants to move toward the CCBHC model. The Behavioral Health Alliance of Montana also has received a grant to vet a statewide CCBHC model with DPHHS. The review process will include stakeholders and policymakers over the next several months and may result – by late summer – in recommendations for legislative action.

MANAGED CARE

Under a managed care arrangement, a state contracts with a third party to create provider networks, process claims, and otherwise administer the Medicaid program. A state pays a set, monthly fee for each Medicaid recipient in the program. The managed care organization must keep the costs of care within the total sum authorized by the per-member per-month payments. If costs are lower than that amount, the contractor generally retains the savings. If the costs are higher, the contractor loses money on the contract.

Montana does not have managed care contracts for any of its Medicaid programs. The state entered into a managed care contract for mental health services in 1997. However, because of problems with management of the program, the 1999 Legislature halted funding for the contract. Subsequent legislatures have put several requirements into place for any managed care contracts, including:

- review of managed care proposals by an advisory council;
- analysis of any request for proposal or proposed managed care contract by the Legislative Auditor's Office and the State Auditor's Office; and
- an independent analysis – paid for by the vendor – of the vendor's ability to comply with the goals of the managed care program.

A SAMPLING OF PROVIDER RATES

During the SJR 14 study, the committee has heard that the use of the different payment models has resulted in discrepancies in payments for services provided by mental health centers and FQHCs and RHCs. The tables below show the range of payments made to those service providers.

MENTAL HEALTH CENTERS/OTHER FFS PROVIDERS

The table below provides a sample of rates paid for various mental health services under the fee-for-service model.

Provider/Service	Billing Unit	Rate
LCSW: Psychiatric evaluation		$110.99
LCSW: Psychiatric treatment	30 minutes	$47.79
LCSW: Psychiatric treatment	60 minutes	$93.63
MHC: Illness Management and Recovery – Individual	15 minutes	$12.50
MHC: Day Treatment	60 minutes	$13.91
MHC: Group Home	Day	$171.65
MHC: Crisis Stabilization	Day	$363.95
MHC: Program of Assertive Community Treatment	Week	$346.75
MCH: Intensive Program of Assertive Community Treatment	Day	$118.17

LCSW = Licensed Clinical Social Worker
MHC = Mental Health Center

FQHCS AND RHCS

The rates below show the range of payments that FQHCs and RHCs receive for each payable patient encounter of any type under the Prospective Payment System.

	FQHC	RHC
Lowest Rate	$96.49	$89.36
Highest Rate	$379.98	$405.19
Average Rate	$244.58	$239.57
Median Rate	$259.58	$236.25

Sources:

- 53-6-710 and 53-6-711, MCA.
- Discussion with Mary Windecker, Executive Director, Behavioral Health Alliance of Montana. Nov. 29, 2021.
- Hearing on Senate Bill 354. Senate Public Health, Welfare, and Safety Committee. Feb. 2, 2007.
- Information provided by DPHHS Health Resources Division.
- MAR Notice No. 37-911. February 28, 2020.
- "Montana Medicaid Reimbursement for Mental Health Services." PowerPoint presentation by DPHHS Health Resources Division Administrator Darci Wiebe to the Children, Families, Health, and Human Services Interim Committee. Nov. 15, 2021.
- "Report to Congress on Medicaid and CHIP." *Medicaid and CHIP Payment and Access Commission*. March 2015.