

LOUISIANA MEDICAID 1115 DEMONSTRATION PROPOSAL FOR THE USE OF INSTITUTIONS FOR MENTAL DISEASE IN MEDICAID MANAGED CARE

I. SUMMARY

The Louisiana Department of Health (LDH) is requesting an 1115 Demonstration Waiver to continue using Institutions for Mental Diseases (IMDs) as a cost-effective, alternative setting for individuals ages 21-64 who receive state plan inpatient general hospital care for mental health services or substance use disorder (SUD) residential treatment in the Healthy Louisiana Medicaid managed care program. This proposal would ensure continued access to vital mental health and SUD treatment services. The Demonstration would permit LDH, through our contracted Medicaid managed care organizations (MCOs), to continue to provide medically necessary mental health and SUD services in the most appropriate setting for the member, regardless of length of stay, in a manner that is most cost effective to state and federal taxpayers. Recent Medicaid managed care regulations impose new limitations and costs on LDH's use of IMDs as alternative settings for state plan behavioral health services. In Louisiana, these regulations will impede access to inpatient and residential mental health and SUD treatment services at a critical time in Louisiana's efforts to implement Medicaid behavioral health reform and provide SUD treatment to confront Louisiana's opioid epidemic. If relief from these regulations is not provided through section 1115 demonstration authority, the progress Louisiana has made to divert individuals from repeat, costly behavioral health admissions at general hospitals to more appropriate and cost-effective behavioral health treatment facilities will be reversed.

II. DESCRIPTION, GOALS, AND OBJECTIVES

Managed care as the foundation for behavioral health reform and expanded access in Louisiana

Background

In 2009, Louisiana began a comprehensive initiative to restructure the array of services and the delivery system for mental health and SUD services to create a comprehensive, coordinated system of care for children and adults. Prior to this effort, Louisiana had not covered SUD services for adults since 2003. Inpatient psychiatric services for adults were largely provided through distinct-part psychiatric units of acute care hospitals, state hospitals (e.g., Charity Hospital) or long-term stays in rural general hospitals, there were limited options for outpatient, community-based mental health services, and there were high emergency room visit rates for behavioral health crises.

In 2012, the results of this initiative culminated in the launch of the Louisiana Behavioral Health Partnership (LBHP), including a capitated managed care delivery system for behavioral health services for adults. The LBHP was responsible for providing mental health and SUD services for adults, targeting the goal of improved models of care focused on supporting individuals in the community and home outside of institutions, increasing outpatient mental health rehabilitation services, introducing of

a continuum of SUD services under the American Society of Addiction Medicine (ASAM) criteria, and deemphasizing the role of large institutions (large IMDs) in the delivery of covered services. At the time, LBHP functioned as a “carve out” from the physical health capitated Medicaid managed care program. The LBHP program introduced evidence-based practices and SUD treatment under the ASAM levels of care for outpatient and residential treatment services to the Medicaid population. The LBHP program increased the use of community-based and non-hospital residential programs and inpatient hospitalizations were primarily reserved for situations in which there was a need for safety, stabilization, or acute detoxification. Medicaid began paying for medically necessary care in the community and in outpatient and non-hospital residential programs, and new hospital-based institutional care was diverted toward community-based care. The flexibility of a capitated managed care delivery system with respect to rate setting and provider network development allowed the Medicaid MCOs (and their capitated predecessor, the LBHP) to appropriately treat individuals in the least restrictive environment and most cost-effective manner without regard to artificial policy constraints of bed size. Within this delivery system, IMDs continued to play a critical role in securing access to acute and crisis residential behavioral health services.

In 2014, LDH began planning for an integrated managed care model for physical and behavioral health. This model, named Healthy Louisiana (previously known as Bayou Health), has been in place since December 2015 and utilizes MCOs to deliver integrated physical and behavioral health services, including SUD services.

Since the inception of behavioral health managed care in 2012 under the LBHP, and later under Healthy Louisiana, LDH’s managed care contracts and capitation rate setting methodology have permitted the MCOs to offer state plan-covered behavioral health services (inpatient psychiatric care and residential SUD services) in IMD settings regardless of the length of stay in lieu of providing those services in state-plan provider settings as long as the use of the IMD setting was determined by LDH’s actuary to be a cost-effective alternative to the state-plan covered setting. This was permitted consistent with the Centers for Medicare & Medicaid Services (CMS) capitation rate setting policy at the time and has been key to LDH’s ability, through our MCO partners and their network providers, to expand access to community-based residential treatment programs.

The Impact of the Medicaid Managed Care Final Rule on Healthy Louisiana

On May 6, 2016, CMS published a new Medicaid managed care regulation, reversing what had been long-standing capitation rate setting policy on the use of IMDs as cost-effective “in lieu of” settings. Specifically, the rule prohibits LDH from claiming federal financial participation for a monthly capitation payment made by LDH to an MCO when a member’s stay in the IMD is longer than 15 days during the month. Prior to the rule, LDH could encourage MCOs to develop provider networks that include IMDs, without regard to length of stay, in order to provide the access to cost-effective mental health and SUD services that had not been achieved in Medicaid FFS.

The regulation also requires capitation rates to be developed using the higher cost of state plan settings, including costs of small rural general hospitals and State/Office of Behavioral Health hospitals, regardless of whether the MCO uses a network of providers that provide more cost-effective care in a less restrictive environment. Prior to the new regulation, LDH could encourage MCOs to use IMDs as a cost-effective alternative to a state plan-covered setting and the use of a cost-effective provider setting would be reflected in the capitation rates. Similarly, an MCO was financially motivated by LDH, for example, to encourage an individual to receive withdrawal management in the most cost-effective community setting (ASAM III.2-D¹) that was medically appropriate because those settings are more cost effective than acute detoxification in an inpatient setting. With the new regulations, if the detoxification is provided in a residential setting that has greater than 16 beds and qualifies as an IMD, the new regulations require the state to reprice the stay to reflect a more expensive and potentially less clinically appropriate inpatient withdrawal management setting. When smaller community settings (with less than 16 beds) are not available to MCO networks, the new regulations require the state and federal government to pay more through capitation rates than the cost of the most economic and efficient setting for the delivery of covered behavioral health services.

The goal of this Demonstration is to maintain critical access to cost-effective behavioral health services for Healthy Louisiana enrollees and continue the delivery system improvements for these services that began in 2012 to provide more coordinated and comprehensive mental health and SUD in Medicaid.

Implementing the limitations of the Medicaid managed care final rule has the potential to undo Louisiana's progress with behavioral health reform by reducing access to community-based residential treatment service providers, creating a critical access problem in the State for SUD services, and increasing costs to the State and federal governments. The infrastructure of the current Louisiana SUD residential program consists of several large residential treatment programs because Medicaid did not reimburse for SUD treatment prior to 2012 and, once Medicaid reimbursement began in 2012, CMS' long-standing policy for "in lieu of" services in capitation rate setting negated the need for Louisiana to encourage providers to build smaller facilities. There simply are not enough providers in the State with less than 16 beds to address the extent of the opioid epidemic in Louisiana, particularly now that the State has expanded Medicaid eligibility (effective July 1, 2016) and such services are available to more than 400,000 Expansion eligible individuals. Removing Medicaid funding at this juncture would cripple the State's ability to address the surge of behavioral health needs adequately. Over time, the State will work with providers to address the infrastructure issues; however, those efforts are not an immediate solution to the very pressing and real behavioral health service and access needs of Louisiana's Medicaid population.

¹ Louisiana's Medicaid State Plan was written prior to the release of the latest ASAM version. While the most recent version refers to ASAM 3.2 WM and withdrawal management, Louisiana's Medicaid continues to utilize ASAM III.2-D and the term detoxification.

The goal of the Demonstration is also to avoid shifting Medicaid costs from an integrated Medicaid managed care delivery model to hospital uncompensated care costs eligible for reimbursement under IMD disproportionate share hospital (DSH) funds.

III. ELIGIBILITY

Medicaid eligibility requirements will not differ from the approved Medicaid state plan.

IV. BENEFITS

Benefits will not differ from the approved Medicaid state plan. The Demonstration will permit LDH and its Medicaid managed care plans to provide state plan-approved mental health and SUD services to individuals 21- 64 in IMDs as a cost-effective, alternative setting that helps ensure access to medically necessary mental health and SUD inpatient and residential treatment services. Louisiana's Medicaid state plan and Healthy Louisiana managed care contracts currently cover a full-range of community-based care designed to prevent institutionalization within the integrated program. The benefit package, developed over the past five years in close coordination and consultation with CMS and Substance Abuse and Mental Health Services Administration best practice guidelines includes outpatient and residential SUD treatment and withdrawal management, consistent with ASAM Levels of care, community-based mental health evidence-based practices, and promising practices such as Assertive Community Treatment, Cognitive Behavioral Therapy (CBT), motivational interviewing and multidimensional family therapy.

V. DELIVERY SYSTEM

The delivery system will continue to be the Healthy Louisiana Medicaid managed care program that utilizes capitated, Medicaid MCOs to provide state plan behavioral health services. Healthy Louisiana will continue to operate as approved in LDH's approved Section 1932(a) state plan authority for managed care and concurrent 1915(b) waiver.

VI. COST-SHARING

Cost sharing requirements under the demonstration will not differ from the approved state plan.

VII. HYPOTHESIS AND EVALUATION

The demonstration will test whether providing flexibility and efficiency in Medicaid managed care to develop cost-effective, community-based provider network arrangements results in improved access to mental health and SUD services in Louisiana. The Demonstration will test a partnership with LDH, Medicaid MCOs, and

network providers to develop innovations in provider network design that overcome traditional barriers to access community-based residential treatment services and decrease inpatient hospitalization. This approach is particularly relevant given the needs of the Medicaid Expansion population, which has historically been underserved. Providing services in a less restrictive and more cost-effective setting for the SUD population is critical to the evolution of the State's behavioral health network. LDH proposes to evaluate the Demonstration's success as part of the mandatory Independent Assessment of the Healthy Louisiana Section 1915(b) waiver and will include an evaluation of:

- Decreased Emergency Department, outpatient and inpatient hospital setting utilization
- Increased rates of initiation and engagement of alcohol and other drug dependence treatment
- Increased initiation of follow-up after discharge from emergency department for mental health or alcohol or other drug dependence rates
- Reduced readmission rates for treatment

VIII. LIST OF WAIVER AND EXPENDITURE AUTHORITIES

Waiver Authority

None. The waivers of freedom of choice and comparability are applied via the approved Section 1915(b) Healthy Louisiana waiver and approved Section 1932(a) state plan.

Expenditure Authority

LDH is requesting expenditure authority under Section 1115 to claim as medical assistance.

The costs of services provided under a risk contract to eligible individuals ages 21-64 receiving cost-effective services or settings in lieu of state plan or settings covered services as permitted under 42 CFR 438.3(e), but do not comply with 42 CFR 438.6(e) and 438.3(e)(2)(iv) insofar as 438.3(e)(2)(iv) requires compliance with 438.6(e). The State is requesting expenditure authority to continue to permit Medicaid MCOs to provide cost-effective substitute services and settings in lieu of state plan services and settings without regard to (1) the 15-day length of stay limit during a period of monthly capitation and (2) the requirement that the utilization of these substitute services be priced by the actuary at the cost of the same services delivered in state plan settings.

VIII. ESTIMATE OF EXPECTED INCREASE/DECREASE IN ANNUAL ENROLLMENT AND ANNUAL AGGREGATE EXPENDITURES

Medicaid expenditures and enrollment are not expected to change as a result of this Demonstration. Utilization of state plan covered services provided in an IMD setting for individuals ages 21-64 will only be reflected in Medicaid capitation rates if LDH and its actuary determine the MCOs' use of IMDs is an appropriate, cost-effective substitute setting, consistent with 438.3(e)(2), and in accordance with current rate-setting practices for in lieu of services. For purposes of capitation rate development, IMD utilization will continue to be priced at the lower cost-effective service rates.

Enrollment - Healthy Louisiana MCO Program ¹						
Eligibility Category	ACTUALS	FORECAST				
	State Fiscal Year 2015-2016	State Fiscal Year 2016-2017	State Fiscal Year 2017-2018	State Fiscal Year 2018-2019	State Fiscal Year 2019-2020	State Fiscal Year 2020-2021
Families and Children	871,212	843,463	851,898	860,417	869,021	877,711
Adults (21+)	129,254	110,874	111,983	113,103	114,234	115,376
Children (0-20)	741,958	732,589	739,915	747,314	754,788	762,335
Adults (Expansion Group)	-	444,856	488,973	496,307	503,752	511,308
Adults (21+)	-	408,307	448,799	455,530	462,364	469,299
Children (0-20)	-	36,549	40,174	40,777	41,388	42,009
Disabled	175,078	167,488	169,163	170,854	172,563	174,288
Adults (21+)	129,914	125,068	126,319	127,582	128,858	130,146
Children (0-20)	45,164	42,420	42,844	43,272	43,705	44,142
Aged	54,095	54,301	54,844	55,393	55,947	56,506
Adults (21+)	54,095	54,301	54,844	55,393	55,947	56,506
Children (0-20)	-	-	-	-	-	-
Total Enrollment	1,100,385	1,510,108	1,564,878	1,582,971	1,601,283	1,619,814

¹Per the Louisiana Department of Health and Hospitals estimates for the Medicaid Subcommittee of the Health and Social Services Estimating Conference, April 2017

Program Expenditures - Healthy Louisiana MCO Program ¹						
Eligibility Category	ACTUALS ^{2,3}	FORECAST				
	State Fiscal Year 2015-2016	State Fiscal Year 2016-2017	State Fiscal Year 2017-2018	State Fiscal Year 2018-2019	State Fiscal Year 2019-2020	State Fiscal Year 2020-2021
Non-Expansion	\$3,825,909,416	\$4,465,240,996	\$4,740,047,695	\$4,657,658,733	\$4,843,965,082	\$5,037,723,686
Expansion	\$0	\$2,062,331,059	\$3,636,031,765	\$3,604,969,246	\$3,749,168,016	\$3,899,134,737
Total Payments	\$3,825,909,416	\$6,527,572,055	\$8,376,079,460	\$8,262,627,979	\$8,593,133,098	\$8,936,858,422

¹Per the Louisiana Department of Health and Hospitals estimates for the Medicaid Subcommittee of the Health and Social Services Estimating Conference, April 2017

²Includes \$26,593,781 in Shared Savings payouts made in FY15-16

³Does not include LBHP/CSoc expenditures of \$236,519,547 for FY15-16; SBH services were carved in 12/1/15

IX. PUBLIC NOTICE

This section is reserved for information to be included in the final Demonstration application submitted to CMS. LDH will post the draft waiver application for public notice, scheduled for June 14, 2017 through July 14, 2017, in accordance with federal transparency requirements for 1115 Demonstrations.

Comments on the Demonstration application will be accepted until Friday, July 14, 2017 by 4:30 p.m., to:

*Jen Steele
Bureau of Health Services Financing
P.O. Box 91030
Baton Rouge, LA 70821-9030*

Or via email to:

MedicaidPolicy@la.gov

Public input may also be provided at the following public hearings:

*June 16, 2017 at 10:30 a.m.
Central Louisiana State Hospital
Education Building
242 West Shamrock Street
Pineville, LA 71360*

*June 22, 2017 at 3:00 p.m.
Louisiana Department of Health
Bienville Building, Room 118
628 North Fourth Street
Baton Rouge, LA 70802
(Teleconference number 1-877-336-1828, then access code 1617132#)*

A hard copy of the waiver application shall be made available upon request to the Department by email to MedicaidPolicy@la.gov, or by calling (225) 342-6843.

Stakeholders interested in more information on the public notice period can visit DHHS' website at: <http://www.ldh.la.gov/index.cfm/subhome/18>.