

**Office of Health Transformation**  
**Rebuild Community Behavioral Health System Capacity**

**Governor Kasich's Budget:**

- *Improves care coordination through managed behavioral health care.*
- *Adds services to the Medicaid behavioral health services benefit package.*
- *Strengthens housing and other community supports for people most in need.*

**Background:**

When Governor Kasich took office, Ohio's publicly funded system of mental health and addiction services was in turmoil. Over the previous four years, state funding for mental health was reduced nearly 20 percent (\$112.4 million). Even before these cuts, the resources for people with severe mental illness transferred from state hospitals to communities in the 1990s had eroded over time. Limited state and local funding for mental health and addiction services became primarily used for Medicaid matching purposes. Significant cuts in state support for mental health and addiction services paired with increased demand for local match for Medicaid services in a period of economic recession significantly limited access to individuals in need of treatment, particularly for those most in need: adults with severe and persistent mental illness, seriously emotionally disturbed children and youth and persons with substance use disorders. The state cuts, combined with Medicaid match dislocation, forced a reduction in non-Medicaid supports, including housing and employment supports. The system was in crisis.

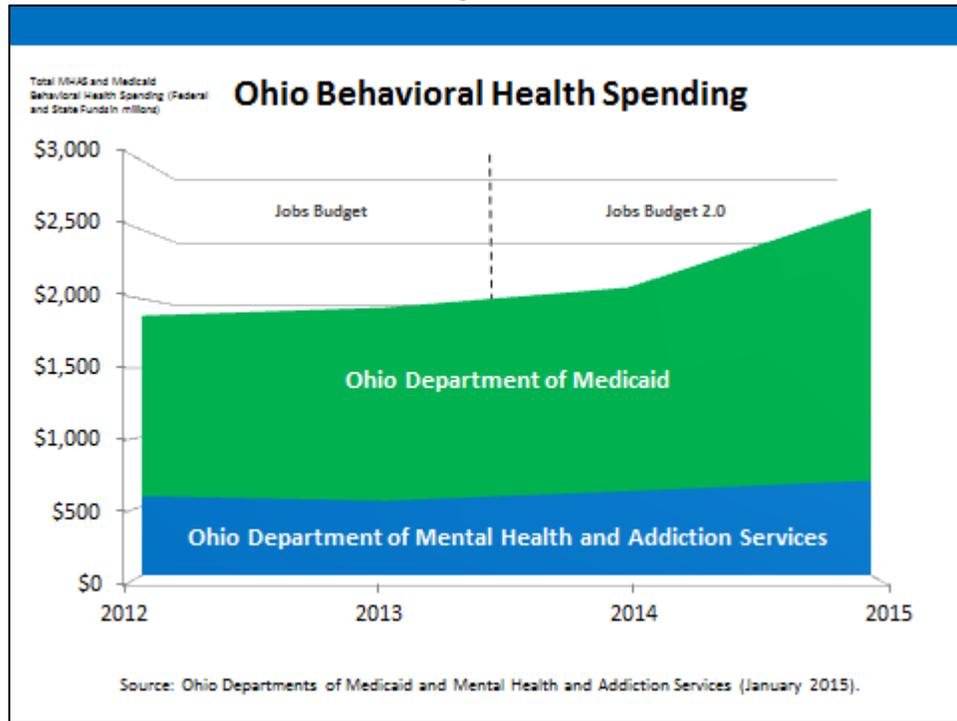
**First Four Years:**

Governor Kasich's first budget (enacted in 2011) increased state funding for mental health and addiction services, reversing the previous downward trend. It also freed local mental health and addiction treatment systems from Medicaid match responsibilities, initiated changes to increase access to medication assisted treatment for opiate addicted Ohioans, created Medicaid health home pilots for people with severe and persistent mental illness, and provided targeted investments to restore community behavioral health capacity. The Governor's Jobs Budget 2.0 (enacted in 2013) continued these reforms, providing one-time funds to address community priorities, launching a project to help nursing home residents with mental illness who wanted to move back into the community, and funding more safe and affordable housing.

The biggest step forward, however, occurred in October 2013 when the Ohio General Assembly's Controlling Board approved funding to extend Medicaid coverage to more low-income Ohioans who previously had no source of coverage and, if they had behavioral health needs, likely were relying on county-funded services. The combination of elevating match responsibility for clinical services to the state and then extending those services to more people

represented a paradigm shift for Ohio’s behavioral health system. The influx of resources into the system (Figure 1) represents a once-in-a-generation opportunity to facilitate Medicaid and non-Medicaid services working together to meet the needs of adults with severe mental illness, severely emotionally disturbed children and youth, and people with substance use disorders.

Figure 1.



**Executive Budget Proposal and Impact:**

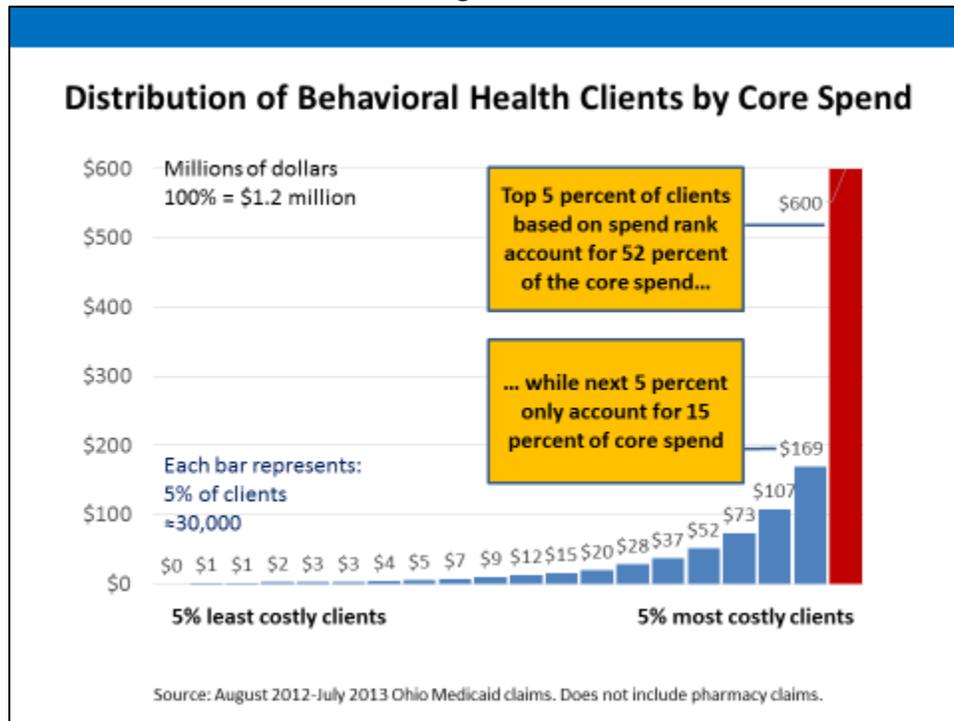
The Executive Budget continues the effort to rebuild community behavioral health system capacity. It modernizes the Medicaid behavioral health benefit and establishes a clear path to achieve better coordination and integration of physical health and behavioral health care services. It also invests in prevention services and non-Medicaid supports that help a person sustain their recovery, such as housing, employment and peer services, and creates an opportunity to partner with local systems on these unmet needs. Most importantly, it sets priorities for both programs in combination, and focuses resources where the need is greatest.

**Modernize the Medicaid Behavioral Health Benefit**

The Medicaid behavioral health population in Ohio represents 27 percent of Medicaid members but accounts for almost half (47 percent) of Medicaid spend. The most expensive five percent account for over half of behavioral health expenditures (Figure 2). Only 50 percent of the behavioral health population on Medicaid is seen through the Mental Health and Addiction Services (MHAS) system. People with serious and persistent mental illness who are not in the

behavioral health system often receive care in nursing homes, prisons and psychiatric inpatient hospitals. By making some key program reforms to the Medicaid program, and focusing where the need is greatest, Ohio can better serve individuals with high-end mental health and addiction needs while also bending the cost curve in the long run for these same individuals.

Figure 2.



The Executive Budget makes a significant investment through Medicaid to provide a more comprehensive behavioral health service package and improve care coordination. It invests an additional \$34.4 million (\$12.9 million state share) in 2016 and \$112.4 million (\$42.3 million state share) over the next two years:

- Redefines Medicaid Behavioral Health Services and Establish Additional Services.** Beginning in FY 2016, current behavioral health services will be redefined to update coding and definitions to align with national standards and support integration, including the identification and discrete pricing of specific service activities. An urgent need exists to redefine and code mental health Pharmacological Management and alcohol and other drug Medical/Somatic so community mental health and addiction providers can better integrate with the rest of the health care world. Ohio Medicaid and MHAS will redefine codes to align with national standards effective July 1, 2015. The remaining behavioral health services will be redefined beginning in January 2016 when new services are introduced. The overall redesign will be budget neutral and focused on aligning services according to a person’s acuity level and need. The specific components of community psychiatric supportive treatment, case management, and health home

services will be disaggregated, defined and priced accordingly in order to give providers greater flexibility to meet a person's clinical need. Lower acuity service coordination and support services will be defined for people with less intensive service needs. New services will be developed for people with high intensity service need, including Assertive Community Treatment (ACT), Intensive Home Based Treatment (IHBT), high-fidelity wraparound, peer services, supportive employment, and Substance Use Disorder (SUD) residential services. Some of these services for adults with severe and persistent mental illness will be covered under a 1915i Medicaid waiver, described below.

- ***Creates a special benefit program for adults with severe mental illness.*** As a result of the new single disability determination process proposed in the Executive Budget (see *Simplify Eligibility Determination*), the majority of people whose income will be above the Medicaid need standard adopted under the new system are adults with severe and persistent mental illness (SPMI). These Ohioans will have access to basic health care services through Medicare or private insurance. However, neither Medicare nor private insurance pay for a range of service coordination and community support activities currently covered in the Medicaid program. In order to ensure continued access to these services, Ohio Medicaid will seek a state plan amendment under section 1915(i) of the Social Security Act to provide for eligibility for adults with SPMI with income up to 225 percent of poverty (300 percent of the Federal Benefit Rate) who are not eligible under another Medicaid category and who meet diagnostic and needs assessment criteria established by the state. Ohio will also identify home and community based services needed by this population to be covered as services under the 1915(i) authority. MHAS will contract with a vendor pursuant to requirements established by Ohio Medicaid to validate the diagnostic and needs assessments conducted by qualified behavioral health providers. These assessments will be used to authorize eligibility and services under 1915(i). This provision costs \$34.4 million (\$12.9 million state share) in 2016 and \$43.5 million (\$16.4 million state share) in 2017.
- ***Implements a Standardized Assessment Tool to Prioritize Need.*** Access to high-severity services such as ACT, IHBT, high-fidelity wraparound and SUD residential, peer services, and supported employment will be assured through implementation of standardized assessment tools. These tools will be integrated in qualified provider organizations and performed in conjunction with the clinical assessment performed by qualified staff within the provider organizations. The standardized assessment will be independently validated by MHAS or an MHAS vendor authorized by Ohio Medicaid. The independent validation will be required for service authorization. The tools will include an assessment of housing needs and employment related supports not covered by Medicaid.
- ***Facilitates access to non-Medicaid housing supports for people most in need.*** People with severe mental illness and substance use disorders frequently experience longer than necessary stays in institutional settings such as hospitals and nursing facilities because of a lack of supportive housing options. An array of housing options is needed

for this population, including permanent supportive housing, rental assistance for independent living, licensed group homes, transitional housing, crisis housing, and recovery housing. The housing needs of people with severe mental illness and addiction disorders identified through the assessment tools described above will assist MHAS and county boards to plan and allocate available resources to meet these needs.

- ***Improves Care Coordination and Outcomes through Managed Behavioral Healthcare.*** In order to improve care coordination and behavioral health and overall health outcomes for people with mental health and addiction service needs, Ohio Medicaid and MHAS will restructure all Medicaid-reimbursed behavioral health services under some form of managed care. Providers in the new network will include community behavioral health organizations, inpatient hospitals, clinics, and specialty practitioners. Ohio Medicaid and MHAS will use one year of fee-for-service experience for the services redefined above and the data from identifying the high risk/high severity population in the planning and rate setting for organizing these services under managed care. Ohio Medicaid and MHAS have not made any final decisions on the specific requirements for care coordination and the types of managed care entity or entities that will be contracted with for this purpose, but will develop structured processes for stakeholder input to occur during March 2015 and make final decisions soon after. This provision costs \$68.9 million (\$25.9 million state share) in 2017.

### **Strengthen MHAS Community Supports**

***Preserves Hospital Capacity to Ensure High Quality Care for Individuals in Crisis.*** MHAS operates six psychiatric hospitals with a total of 1,181 beds. From 2011 through 2014, total admissions to state psychiatric hospitals increased 35 percent and the overall census increased 6 percent. During this same period, operating costs increased in areas including patient medications, employee insurance, information technology and food service. In response, MHAS took steps to reduce spending in other areas, including rebidding laboratory services and medication suppliers at lower costs, and working with a utility management firm to reduce utility costs at all hospitals. At the same time MHAS was working to reduce costs, the hospitals were losing revenue from other sources. Tighter billing requirements from CMS and its Medicare billing intermediary reduced the hospitals' revenue by \$5 million per year. As MHAS worked to identify and implement corrective action plans to respond to the intermediary's expectations, it was necessary to exhaust hospital cash reserves in order to maintain current operations. To address these circumstances, the Executive Budget provides \$10 million in additional state general revenue funds per year in 2016 and 2017 (federal funding is not available for state psychiatric hospitals).

- ***Supports Community Strategies to Impact Hospital and Jail Capacity.*** The criminal justice system is overwhelmed working with individuals who have committed offenses as a result of their mental illness or addiction. The connection between incarceration and treatment is not always as strong as it needs to be. There is a need in several areas

of the state to improve the connections between local jails, state hospitals and treatment providers in order to reduce transfers, improve safety and judicial oversight, and address strained capacity in both jails and state hospitals. The Executive Budget provides funding for MHAS and the state psychiatric hospitals in conjunction with local partners to make targeted investments in these programs.

- ***Supports Prevention and Crisis Intervention.*** Over the past year, MHAS and other stakeholders established a network throughout the state to share evidence-based practices that encourage the use of trauma-informed care. This approach is critical to helping people heal, and has been shown to reduce the need for seclusion and restraint. The Executive Budget provides funding for MHAS to continue its cross-agency efforts in this area. In addition, the Executive Budget provides funding for suicide prevention, and targets efforts using evidence based practices to focus on individuals who are leaving state psychiatric hospitals, as well as to build capacity within local coalitions and strengthen Ohio's efforts to prevent avoidable tragedies.
- ***Supports Strong Families and Safe Communities.*** In the last budget, a total of \$5 million was provided for a partnership between DODD and MHAS (called Strong Families, Safe Communities) to work with families in crisis with youth who are at risk to be a danger to themselves and others due to unmanaged symptoms related to their mental illness or developmental disability. This investment funded community projects across the state that focused on coordination and crisis intervention through collaboration. The Executive Budget provides \$3.0 million per year to sustain the partnership into 2017. The Executive Budget includes an investment to build infrastructure and support for prevention programming in a few critical hot spot areas is needed to promote resiliency and help youth to choose a path that does not include substance abuse. A key target population is children with incarcerated parents.
- ***Reduces Administrative Costs and Puts Savings into Services.*** The Executive Budget continues the commitment made with the original consolidation of the former Ohio Department of Mental Health and the former Ohio Department of Alcohol and Drug Addiction Services to streamline government and reduce administrative expenses. The Executive Budget includes a \$1 million reduction in MHAS central office expenditures with a goal of redirecting that appropriation to add value in the community. This reduction is in addition to the continuation of the \$1.5 million annual reduction taken in the 2014-2015 budget.

*Updated February 2, 2015*