Washington State Hospital Association

2021 **BUDGET** BRIEF

Increase Access to Long-Term Psychiatric Services by Establishing a Sustainable Medicaid Payment Rate Methodology

The Problem

Concentrating all long-term mental health placements and resources at Eastern and Western State Hospitals has prevented patients from accessing the care they need. To help address this serious issue, Washington State is implementing an ambitious 5-year plan, which includes caring for long-term mental health patients not in state psychiatric hospitals, but in community hospitals closer to their homes. If patients are closer to their support networks, this will likely lead to less inpatient admissions or shorter inpatient stays.

To help increase long-term psychiatric bed capacity in community settings, some acute care hospitals and freestanding psychiatric hospitals are willing to provide psychiatric care to patients on 90- and 180-day civil commitment orders. The key challenge for these hospitals, however, is ensuring that they are paid a *sustainable Medicaid per diem rate* for providing these services and that the *rate methodology is predictable beyond the current biennium*. A hospital makes significant long-term capital investments to care for this patient population (who usually are high-acuity patients with co-morbidities and significant social requirements) and needs to be paid a sufficient Medicaid rate to support these patient services.

Proposed Solution

A hospital's decision to care for long-term psychiatric patients is complex. The decision to provide this care varies because psychiatric care is a specialty service with an assortment of challenges stemming from an underfunded system. For a community hospital to provide these services, it needs assurances that Medicaid payments will adequately address the cost of caring for these complex patients. For this to happen, the state must not only ensure that *adequate funding* is appropriated, but that a *sustainable rate methodology* is also adopted for these community hospitals.

Legislative Action During the Last Biennium

The *2019-21 operating budget* set an interim per diem payment rate of $1,171 for community hospitals providing long-term psychiatric services in fiscal year 2020. For subsequent years, it directed the Health Care Authority (HCA) to develop a methodology to update per diem rates.

To support these long-term psychiatric beds, the state appropriated the following:

	FY 2020	FY 2021	2019-21 Biennium
General Fund-State	$27,917,000	$36,095,000	$64,012,000

The *2020 supplemental operating budget* maintains the funds appropriated but modifies the rates for fiscal year 2021:

- For hospitals with a Medicare cost report and whose costs exceed their current rate, their fiscal year 2021 Medicaid per diem payment rate is at 100 percent of eligible costs in the cost report.
- For hospitals that do not have a Medicare cost report, their fiscal year 2021 Medicaid per diem payment rate is either $1,171 or their current Medicaid inpatient psychiatric rate, whichever is higher.

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- For hospitals with a Medicare cost report and whose costs do not exceed their current rate, their fiscal year 2021 Medicaid per diem payment rate is $940.

A proviso also calls for a work group to address additional factors that may be incorporated in future rate adjustments. This includes an acuity adjustment to reflect patients who may have higher levels of behavioral or physical needs and retroactive reconciliation adjustments. One issue that is not addressed in this proviso but was addressed by the 2019 work group is the need for a teaching cost rate enhancement for the University of Washington's new behavioral health teaching hospital.

Legislative Ask

WSHA strongly supports legislation that 1) outlines the payment rate methodology principles contained in two work group reports that included the HCA, WSHA, and its member hospitals; and 2) directs the HCA to adopt rules regarding the methodology's technical details. The work group's focus was how Medicaid per diem rates should be established for long-term psychiatric patient care. Incorporating this into legislation will ensure that the rate methodology will prevail beyond a single biennium and help move forward with increasing the current and anticipated long-term psychiatric bed capacity in the community.

In 2019, the work group developed a payment rate methodology that provides sufficient incentives for community hospitals to provide care to 90- and 180-day civil commitment patients. This methodology was provided to the legislature on Dec. 1, 2019, in the report "*Rate Methodology for 90- and 180-Day Civil Commitment Beds.*"

In 2020, based on the direction in the proviso language in the 2020 supplemental budget, the work group refined the 2019 report. This report was provided to the legislature on Dec. 1, 2020, and was titled "*Reimbursement: Hospitals Serving Medicaid Clients in Long Term Inpatient Beds. Revised Methodology for 90- and 180-Day Civil Commitment Beds*."

Proposed Medicaid Per Diem Rate Methodology for 90- and 180-Day Civil Commitment Beds

Community Hospitals Willing to Care for 90- and 180-Day Civil Commitment Patients		
Hospital Type	***Hospitals Currently Providing this Service***	***Hospitals Newly Providing this Service***
Acute Care Hospitals (Licensed under 70.41 RCW)	For a hospital that has more than 200 psychiatric bed days and has a full year of costs that are reported to CMS in a Medicare cost report, their Medicaid per diem payment rate will be 100% of eligible hospital costs.	For a hospital that does not have more than 200 psychiatric bed days (thus, is a new provider of these services), their rate will be the ***higher of*** (a) their current Medicaid inpatient psychiatric rate; or (b) the annually updated statewide average of the Medicaid long-term inpatient psychiatric rate of all *acute care hospitals* currently providing long-term involuntary treatment services.
Freestanding Psychiatric Hospitals (Licensed under 71.12 RCW)	A hospital's Medicaid per diem payment rate will be $940 plus an adjustment of costs not captured in the Medicare cost report if applicable (see below).	A hospital's Medicaid per diem rate will be the ***higher of*** (a) their current Medicaid inpatient psychiatric rate; or (b) the annually updated statewide average of the Medicaid long-term inpatient psychiatric rate of all *freestanding psychiatric hospitals* currently providing long-term involuntary treatment services.

The Medicare Cost Report Does Not Capture the Costs of Caring for Long-Term Psychiatric Patients

The work group recognized that there is a wide array of costs associated with caring for this patient population that may not be allowed on the Medicare cost report. To address this problem, the work group recommends that hospitals be able to provide the HCA with supplemental data to be considered and used to make any appropriate adjustments to their Medicaid per diem rate. Examples of these costs include:

- *Professional services fees and costs*: Caring for this patient population usually requires an increased need for restrictive interventions, one-to-one care and physical costs. For example, on-call clinical care is not allowable on the Medicare cost report.
- *Involuntary Treatment Act (ITA) court costs:* One of the services long-term psychiatric patients need is access to ITA court. Patients either access this remotely at the hospital or they are transported to the off-site court facility. Hospitals incur a wide range of costs associated with this. In many locations, these costs are not paid by the county or the behavioral health-administrative service organization.
- *Other considerations*: Particularly for freestanding psychiatric hospitals, the cost of capital is a very real cost associated with long-term psychiatric patients, but it is not an allowable cost. These hospitals are also not able to cost shift. Since they only provide behavioral health services – usually to Medicaid and Medicare patients – they cannot make up costs with either medical/surgical services or commercial patients.

Initial Behavioral Health Teaching Hospital Enhancement Rate

In addition to clinical care, the new University of Washington Medical Center's Behavioral Health Teaching Hospital will incur additional costs associated with student-teaching related to 90- and 180-day civil commitment patients. Most of the additional costs related to teaching will be from reduced productivity of health care professionals who redirect time from patient care to observe and teach trainees from diverse disciplines. Time will also be spent on didactic teaching, which will not involve direct patient care.

In the teaching hospital's *first year only*, these costs will not be accounted for in the rate methodology outlined above. To address this, the work group recommends that a *15 percent teaching factor* be added to the hospital's Medicaid per diem rate. This is based on Medicare's teaching education adjustment factor calculation, which is the ratio of residents receiving training at the teaching facility to the average daily census of the inpatient unit. In subsequent years, these teaching costs should be reflected in its Medicare cost report and thus, a separate teaching factor will not be needed.

Summary of 90- and 180-Day Civil Commitment Bed Capacity Community Hospitals are Willing to Provide

The table below (highlighted in grey) illustrates the community hospitals currently providing beds for 90- and 180-day civil commitment patients. However, these and other community hospitals are ready to increase their long-term psychiatric bed capacity over the next few years *if sustainable and predictable Medicaid per diem rates are established.*

The table also illustrates that more than 120 long-term psychiatric beds, across the state, could potentially be brought online. These alone will significantly assist the state in achieving its goal of moving most civil commitment patients out of Eastern and Western State Hospitals. But for patients to access these beds in their community, the legislature must adopt a rate methodology that will establish sustainable and predictable Medicaid per diem rates.

Current and Anticipated Community Hospitals Providing 90- and 180-Day Civil Commitment Beds				
Hospital Name	***Location***	***Number of Beds***	***Online Date***	***Facility Type****
Astria Toppenish	Toppenish	14	January 2019	Non-IMD
		14	Mid-2022	
Cascade BH	Tukwila	21	Fall 2021	IMD
Fairfax BH	Kirkland	20	Fall 2021	IMD

Current and Anticipated Community Hospitals Providing 90- and 180-Day Civil Commitment Beds				
MultiCare	Auburn	TBD	TBD	TBD
Navos BH	Burien	TBD	TBD	IMD
Providence	Everett	6	February 2021	Non-IMD
PeaceHealth St. John	Longview	2	May 2019	Non-IMD
UW BH Teaching	Seattle	50	FY 2023	Non-IMD
Yakima Valley Memorial	Yakima	6	November 2018	Non-IMD
		10	1st Quarter 2021	
TOTAL BEDS		**143**		

**IMD: Institute for Mental Disease. Facilities that are considered non-IMD are eligible for Federal Medical Assistance Percentage (FMAP), which provides federal matching funds for state's Medicaid expenditures.*

Key Messages

- Patients will be better served when they can access psychiatric services closer to their home, families, and communities, likely resulting in fewer admissions and readmissions, with a reduced length of stay.
- Washington's community hospitals stand ready to help the state address the growing demand for long-term civil commitment services. There are a number of acute care and freestanding psychiatric hospitals that want to provide care to this high-acuity patient population, which often has co-morbidities and significant social needs.
- To effectively provide these much-needed beds, community hospitals need to be paid a rate that is sufficient to meet the cost of care.
- For too many years, the Medicaid inpatient psychiatric rate for community hospitals has been a fraction of the total cost of patient care, which is unsustainable. Given that hospital units for 90- and 180-day civil commitment patients will be entirely Medicaid enrollees, there will not be any commercial patients to offset losses from the underfunding of Medicaid beds.
- The legislature, if it wants to achieve the needed community bed capacity, should adopt the rate methodology recommended by the HCA work group. The principles of the rate methodology should be codified in statute and the HCA should be directed to adopt rules that outline all technical details. This will provide the needed certainty beyond a single biennium regarding how the Medicaid per diem payment rate for long-term psychiatric patients will be established.

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