



Increase Access to Long-Term Psychiatric Services by Establishing a Sustainable 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 embarking on 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. This would 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, will be ensuring that they are paid a sustainable Medicaid rate for providing these services. Currently, hospitals are paid a fraction of the cost of providing that care – about 80 cents on the dollar from Medicaid. This is neither a feasible nor sustainable payment structure, especially for high acuity patients who usually have co-morbidities and significant social needs.

Proposed Solution

A hospital's decision to care for long-term psychiatric patients is complex. Their decision to provide this care varies since 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 **adequate funding** is appropriated, but also that a **sustainable rate methodology** is adopted for these community hospitals.

What the Legislature Did Last Session

To help the state achieve its goal of moving all but the most severe long-term civil commitment patients into community beds, the **2019-21 operating budget** assumes the following bed capacity from community hospitals:

	FY 20	FY 21	FY 22	FY 23	TOTAL
Community Hospitals: 90- and 180-Day Beds	72	72	98	114	114
UW Behavioral Health Teaching Hospital: 90- and 180-Day Beds				50	50
MultiCare Auburn: 90- and 180-Day Beds				TBD	TBD
TOTAL BEDS ASSUMED BY THE STATE					164

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

	FY 20	FY 21	2019-21 Biennium
General Fund-State	\$27,917,000	\$36,095,000	\$64,012,000

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 directs the Health Care Authority (HCA) to **develop a methodology** to update per diem rates.

Budget Ask

The 2019-21 operating budget language will not allow hospitals to open the beds needed and assumed by the legislature. The HCA (in conjunction with WSHA and member hospitals) 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 December 1, 2019, in the report *“Rate Methodology for 90- and 180-Day Civil Commitment Beds.”*

To move forward with the current and anticipated community bed capacity, **the Legislature should adopt this methodology.** A summary of the methodology is below.

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

For Current and Anticipated Community Hospitals Willing to Care for 90- and 180-Day Civil Commitment Patients			
Hospital Type	FY 2020	FY 2021	Subsequent Years
Acute Care Hospitals Licensed under 70.41 RCW	The higher of the hospital’s current inpatient psychiatric rate or \$1,171 (which is the interim rate set in the 2019-21 operating budget). The rate cannot exceed 100% of costs.	After the hospital has more than 200 bed days, the HCA will analyze the hospital’s most recent Medicare cost report and adjust the per diem payment rate to reflect the cost of caring for this patient population. Per the 2019-21 budget proviso, the rate cannot exceed 100% of costs. The rate will be retroactively applied.	The HCA will perform a rebase to update the hospital-specific rate each year. This will be based on the hospital’s most recent cost report.
Freestanding Psychiatric Hospitals Licensed under 71.12 RCW	\$1,171 (the 2019-21 operating budget did not distinguish between hospital types). The rate cannot exceed 100% of costs.	Currently, freestanding psychiatric hospitals are paid \$829 for short-term psychiatric patients. This amount is 68% of \$1,216, which is the statewide average cost of all hospitals providing psychiatric services, as calculated by the HCA in a 2017 rebase. For long-term psychiatric patients, establish a per diem payment rate of \$995. This amount is 82% of the 2017 statewide average rate. This amount reflects the increased cost of caring for these high-acuity patients.	Use CMS’s annually updated 2012-based inpatient psychiatric facilities market basket as an index rate to update the base rate each year (for example, the rate in 2019 is 2.9%).

For Future Community Hospitals Willing to Care for 90- and 180-Day Civil Commitment Patients		
Hospital Type	Interim Year	Subsequent Years
Acute Care Hospitals	The higher of the hospital’s current inpatient psychiatric rate or the new statewide average rate the HCA will establish using the <i>acute care hospitals</i> currently providing 90- and 180-day civil commitment services.	The HCA will perform an annual rebase to update the hospital-specific rate. This will be based on the hospital’s most recent Medicare cost report.
Freestanding Psychiatric Hospitals	The higher of the hospital’s current inpatient psychiatric rate or the new statewide average rate the HCA will establish using the <i>freestanding psychiatric hospitals</i> currently providing 90- and 180-day civil commitment services.	Use CMS’s annually updated 2012-based inpatient psychiatric facilities market basket as an index rate to update the base rate each year.

Other Issues Pertaining to the Methodology

- **Teaching Hospital Enhancement Rate:** The new University of Washington Behavioral Health Teaching Hospital will incur additional costs associated with student teaching related to 90- and 180-day civil commitment patients. These costs will not be reflected in its Medicare cost report in its first year. To address this, the methodology includes a \$244 teaching hospital enhancement in its per diem payment rate for long-term psychiatric patients. This is for the first year only because additional teaching costs should be captured in its cost reports in subsequent years.
- **Acuity Adjustment:** Patients on 90- and 180-day civil commitment orders usually have higher levels of acuity than short-term psychiatric patients. The HCA will work with WSHA and member hospitals to further develop a methodology to calculate an acuity adjustment for long-term psychiatric patients.
- **Quality Measures:** Recognizing that the HCA is moving toward value-based payment, the state should understand that long-term, involuntary civil commitment patients are usually a high-acuity population who have co-morbidities and significant social needs. Any effort to establish quality measures needs to be preceded by quality data from Western and Eastern State hospitals. This will provide a baseline for community hospitals newly caring for this population and help identify where quality changes need to be made.

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

Numerous community hospitals are ready to help the state address the crisis in the mental health system. This includes caring for long-term psychiatric patients. If a sustainable per diem payment rate is established, community hospitals estimate they can provide significant long-term psychiatric bed capacity (see below).

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
Cascade BH	Tukwila	21	Early 2020	IMD
Fairfax BH	Seattle	20	Early 2020	IMD
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
PeaceHealth SW	Vancouver	TBD	TBD	TBD
Skagit Valley	Everett	2	November 2019	Non-IMD
UW BH Teaching	Seattle	50	FY 2023	Non-IMD
VM Memorial	Yakima	6	November 2018	Non-IMD
		10	1 st Quarter 2020	
TOTAL		131		

*IMD: Institute for Mental Disease. Facilities that are considered non-IMD are eligible for Federal Medical Assistance Percentage (FMAP), which is the providing 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 step up and provide this 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.

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