SENATE BILL REPORT
E2SHB 2639

As of February 24, 2014

Title: An act relating to state purchasing of mental health and chemical dependency treatment services.

Brief Description: Concerning state purchasing of mental health and chemical dependency treatment services.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Moeller, Harris, Green, Cody, Morrell, Clibborn, Riccelli, Van De Wege, Bergquist and Freeman; by request of Governor Inslee).

Brief History: Passed House: 2/17/14, 66-31.
Committee Activity: Human Services & Corrections: 2/24/14.

SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

Staff: Kevin Black (786-7747)

Background: The state of Washington purchases mental health and chemical dependency services for persons who meet eligibility criteria through a number of different agencies and entities. Among these are the Health Care Authority (HCA), Department of Social and Health Services (DSHS), county-administered regional support networks (RSNs), and tribal authorities.

The Adult Behavioral Health System Task Force is a Legislature-led taskforce, consisting of ten voting members, which is charged with examining reform of the adult behavioral health system. The taskforce must begin its work on May 1, 2014, and report its findings by January 1, 2015. The taskforce must make recommendations for reform concerning, but not limited to, the following subjects:

- the means by which services are delivered for adults with mental illness and chemical dependency disorders;
- availability of effective means to promote recovery and prevent harm associated with mental illness;
- crisis services, including boarding of mental health patients outside of regularly certified treatment beds;
- best practices for cross-system collaboration between behavioral health treatment providers, medical care providers, long-term care service providers, entities providing

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health home services to high-risk Medicaid clients, law enforcement, and criminal justice agencies; and
- public safety practices involving persons with mental illness with forensic involvement.

In 2013 the Legislature adopted two bills, Second Substitute Senate Bill 5732 and Engrossed Substitute House Bill 1519, which require the state to establish outcome expectations and performance measures in its purchasing of medical, behavioral, long-term care, and social support services. HCA and DSHS must establish a steering committee to guide this change process. Reports describing this process are due to the Governor and Legislature in 2014 and 2016.

Also in 2013, with the support of a $1 million federal grant from the Center for Medicaid and Medicare Innovation, Washington created a document called the Washington State Health Care Innovation Plan (Innovation Plan). The Innovation Plan sets forth a framework for health system transformation, consisting of three strategies for achieving better health, better care, and lower costs, and seven foundational building blocks of reform. Some key recommendations relevant to the purchasing of behavioral health services include achieving greater integration of mental health, substance abuse, and primary care services by phased reductions in administrative and funding silos; restructuring Medicaid procurement into regional service areas; and requiring all health providers to collect and report common performance measures. The Innovation Plan forms the basis of an application for further awards of federal funding in the form of testing grants, to be awarded in 2014.

Summary of Bill: Several changes are made to the Adult Behavioral Health System Task Force:
- The start date is accelerated to April 1, 2014.
- Three voting members are added to be appointed by the Washington Association of Counties (WSAC).
- Four voting members are added to be appointed by the Legislature, bringing the total number of voting members to 17.
- The workload of the taskforce is expanded to include providing guidance for the creation of common regional service areas for purchasing behavioral health care services and medical care services, and identification of key issues that must be addressed by HCA and DSHS to achieve the full integration of medical and behavioral health services by January 1, 2019.
- Additional reporting dates for the taskforce are added in August and September of 2014.

DSHS and HCA must establish common regional service areas for behavioral health and medical care purchasing by September 1, 2014. WSAC must be permitted to propose the composition of no more than nine regional service areas by July 1, 2014. Regional service areas must contain a sufficient number of Medicaid lives to support full financial risk managed care contracting, include full counties which are contiguous with each other, and reflect natural referral patterns and shared service resources.

RSNs are renamed behavioral health organizations (BHOs) throughout the code.

DSHS and HCA must purchase chemical dependency services primarily through managed care contracting by by April 1, 2016. DSHS must request a detailed plan from counties within the newly established regional service areas demonstrating ability to provide adequate access to mental health and chemical dependency services within the region. A responding entity that meets requirements must be awarded the BHO contract for that region. If a county decided prior to January 1, 2014, not to participate in an RSN, a private entity certified to serve as an RSN may respond for that county. If counties in a regional service area fail to respond or fail to substantially meet requirements, DSHS must competitively procure the BHO contract for that region.

DSHS and HCA must transition community behavioral health services into a system which fully integrates behavioral health with primary care for Medicaid clients by January 1, 2019. If requested by a county authority, DSHS and HCA may jointly purchase behavioral health services through an integrated medical and behavioral health services contract with a BHO or managed health care provider.

DSHS may hold back a portion of the resources appropriated for BHOs for use in order to incentivize outcome-based performance, the integration of behavioral health and primary care services, and improved care coordination for individuals with complex care needs. DSHS may establish priorities for the expenditure of appropriations for non-Medicaid services by BHOs. Requirements for contractors to provide certain support services, such as day treatment and employment services, are deleted.

DSHS and HCA must ensure that BHO contracts require quality standards, accountability for outcomes, and adequate provider networks. Contracts must require implementation of provider reimbursement methods which incentivize improved performance, integration of behavioral health and primary care services, and improved care coordination for individuals with complex care needs. BHOs must offer contacts to managed care systems or primary care practice settings which provide access to behavioral health services which are integrated in primary care settings for individuals with co-occurring disorders.

DSHS must adopt financial solvency requirements for BHOs which allow DSHS to initiate contract action if it finds that a BHO's finances are inadequate. DSHS must establish mechanisms for monitoring BHO performance, including remedies for poor performance, including financial deductions and contract termination procedures.

In the event of a procurement for behavioral health services, DSHS must give significant weight to several enumerated factors, including demonstrated commitment and experience serving persons who have serious mental illness or chemical dependency disorders; and demonstrated commitment to and experience with partnerships with criminal justice systems, housing systems, and other critical support services.

DSHS' chemical dependency purchasing must include 24-hour detox services, medication-assisted outpatient treatment, and at least one provider of case management and residential treatment services for pregnant and parenting women in operation as of January 1, 2014.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony: PRO: One in four adults experience mental illness in a given year. Almost 50 percent of homeless adults suffer from mental illness or substance abuse. We have to do a better job of integrating and delivering services to our citizens. We want to explicitly require movement of chemical dependency services into managed care, instead of fee for service. We want to require a detailed plan for this transition to ensure the level of review necessary to meet federal and state requirements for managed care contracting. We want chemical dependency to receive the expansion of services envisioned for mental health services. This legislation gives DSHS the tools it needs to implement the policy direction given by the Legislature to demand improvement in meaningful client outcomes and performance. Moving chemical dependency into managed care has two key benefits: providing stability in the system by ensuring that the rates paid for services are actuarially sound, and providing the flexibility to provide critical supportive services to help persons with housing, transportation, and employment needs. We need to have a full array of services available for people who have a spectrum of mental health and chemical dependency needs. We believe the taskforce will provide a much needed open forum to scrutinize the changes happening in the delivery system. Please retain language protecting existing chemical dependency capacity and infrastructure.

OTHER: We support the integration of chemical dependency into primary care. We prefer the Senate version, which gives the taskforce more authority and more time to make decisions. The counties have concerns with the full integration mandate of behavioral health with primary care by 2019. This would require the state to no longer contract directly with counties, but would require counties to contract with Healthy Options plans. Some of our rural counties have little experience with this and have concerns. Services are best delivered and coordinated at the county level. It's a good idea to rename RSNs as BHOs. Thank you for removing stigmatizing language. You should remove references to drug addicts and alcoholics and refer instead to persons with chemical dependency disorders. Please give the taskforce more authority, so that chemical dependency providers can provide their input in that forum. Please call out the Criminal Justice Treatment Account as separate fund, which may not be used as a funding source for integration.

Persons Testifying: PRO: Representative Moeller, prime sponsor; Andi Smith, Governor's Office; Jane Beyer, DSHS; Gregory Robinson, WA Community Mental Health Council.

OTHER: Melissa Johnson, Assn. of Alcoholism & Addictions Programs; Abby Murphy, WA State Assn. of Counties; Jim Vollendroff, King County; Michael Transue, Seattle Drug and Narcotic Treatment Center; Melanie Stewart, Pierce County Alliance.