HOUSE BILL REPORT
EHB 2584

As Amended by the Senate

Title: An act relating to establishing rates for behavioral health services.

Brief Description: Establishing rates for behavioral health services.

Sponsors: Representatives Caldier, Frame, Leavitt and Davis.

Brief History:
Committee Activity:
Appropriations: 1/23/20, 2/8/20 [DP].
Floor Activity:
Passed House: 2/14/20, 98-0.
Senate Amended.
Passed Senate: 3/5/20, 48-0.

Brief Summary of Engrossed Bill

- Requires the Health Care Authority (HCA) to work with actuaries in implementing funded behavioral health (BH) rate increases, including rate increases provided through managed care organizations (MCOs), to assure appropriate adjustments are made to services paid through a case rate.
- Requires the HCA to establish a process for verifying that funding appropriated for targeted BH provider rate increases, including rate increases provided through MCOs, is used for the objectives stated in the appropriation.
- Requires the HCA to provide annual reports to the Legislature regarding the implementation processes and results of targeted BH provider rate increases.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 31 members: Representatives Ormsby, Chair; Robinson, 1st Vice Chair; Bergquist, 2nd Vice Chair; Stokesbary, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Chopp, Cody, Dolan, Dye, Fitzgibbon, Hansen, Hoff, Hudgins, Kilduff, Kraft, Macri, Mosbrucker, Pettigrew, Pollet, Ryu, Schmick, Senn, Steele, Sullivan, Sutherland, Tarleton, Tharinger and Ybarra.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Andy Toulon (786-7178).

Background:

Medicaid is a federal-state partnership with programs established in the federal Social Security Act, and implemented at the state level with federal matching funds. Apple Health is Washington's Medicaid program serving qualifying low-income clients and administered by the Health Care Authority (HCA). Apple Health provides eligible adults, children, pregnant women, and certain blind or disabled individuals with a complete benefits package including medical and behavioral health (BH) services. Apple Health services are implemented primarily through contracts between the HCA and managed care organizations (MCOs) and in some cases through direct fee for service agreements between the HCA and medical and BH providers. Funding for some crisis services and other BH services to individuals who are not eligible for Medicaid is implemented through contracts with BH administrative services organizations (BHASOs).

Managed Care is a health care delivery system intended to manage cost, utilization, and quality of care. Medicaid managed care provides for the delivery of Medicaid physical and BH benefits including preventive, primary, specialty, and ancillary services through contracted arrangements between state Medicaid agencies and MCOs that accept a set per member per month (PMPM) capitation payment for these services. For some specialty services, the HCA pays MCOs a monthly case rate based on the number of people receiving the specialty service in addition to a PMPM capitation payment.

The MCOs are contractually responsible for provision of all medically necessary services to the populations covered under their contracts, and they do this through subcontracts with a network of medical and BH providers. There are currently five MCOs participating in Apple Health. In most cases, MCOs establish their own provider reimbursement methods and payment rates. The HCA establishes provider payment rates primarily in cases where the HCA is paying for services directly to providers rather than through MCO contracts. The ability of the HCA to direct how much MCOs pay providers for a service is limited under federal Medicaid managed care regulations.

Wraparound with Intensive Services (WISe) is a program model designed to provide intensive mental health services to assist youth and families. The HCA pays MCOs for WISe services through a case rate which MCOs receive in addition to their monthly PMPM capitation payments.

Summary of Engrossed Bill:

The HCA must work with actuaries and MCOs in implementing funded BH rate increases to assure appropriate adjustments are made to the WISe case rate, as well as any other BH services in which a case rate is used. The HCA must establish a process for verifying that funding appropriated for targeted BH provider rate increases, including rate increases provided through MCOs, is used for the objectives stated in the appropriation. The process must:

- establish which BH provider types the funds are intended for;

- include transparency and accountability mechanisms to demonstrate that appropriated funds for targeted BH provider rate increases are passed through to BH providers in the manner intended;
- include actuarial information provided to MCOs to ensure the funds directed to BH providers have been appropriately allocated and accounted for; and
- include a quantitative or other method for determining if the funds have increased access to the BH services offered by the providers who are the subject of the targeted provider rate increases.

The process may:
- ensure the viability of pass-through payments in a capitated rate methodology;
- ensure that medicaid rate increases account for the impact of value-based contracting on provider reimbursements and implementations of pass-through payments; and
- include the participation of representatives from the MCOs, BHASOs, and providers that are the subject of the targeted BH provider rate increases.

By November 1 of each year, the HCA must report to the Legislature regarding the established process for each appropriation for a targeted BH provider rate increase. The report must identify whether the funds were passed through in accordance with the appropriation language and provide information about increased access to BH services associated with the appropriation. The reporting requirement for each appropriation for a targeted BH provider rate increase must continue for two years following the specific appropriation.

EFFECT OF SENATE AMENDMENT(S):

The inclusion of the entities in the Health Care Authority's process for verifying that funds appropriated for targeted behavioral health rate increases are used for the objectives stated in the appropriation is made mandatory rather than optional. The participants required to be included in the process are expanded to add provider networks to the prior list which included managed care organizations, behavioral health administrative services organizations, and providers.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) A fundamental goal of the work of the Children's Mental Health Workgroup (Workgroup) has been to increase timely access to BH care for children, youth, and families. One of the biggest challenges that people face in accessing mental health treatment is lack of providers—which is due to low reimbursement rates. People were really frustrated to learn that funding allocated by the Legislature to increase rates did not get passed through to providers. This bill is a priority for the Workgroup. A qualified available workforce is

essential to increase access, yet competition for BH professionals remains fierce, and in some BH agencies, the ability to attract, acquire, and retain qualified staff is reaching crisis proportions. Providers are unable to adequately staff critical programs. Behavioral health agencies have recently turned back capital funding because they do not have the operating funds and the staff capacity to set up new programs. In 2018 the Legislature made a significant investment of $69 million per year to enhance community based BH and continued that investment through the 2019-21 State Omnibus Appropriations Act. This was a significant step in the right direction. Rate increases work to stabilize the workforce and increase access when the funds get to providers as intended. However, Medicaid financing, contracting, and payment mechanisms for BH are complicated and have been in a state of major transition over the last several years as the state completed its move to integrated managed care contracting and purchasing. Since 2018 there have been major challenges and inconsistencies in distributing these appropriated funds to the point that some providers still have not received a penny. There is a need for increased transparency and accountability to ensure that the intentions of the Legislature are in fact implemented. When the Legislature appropriates funds intended to increase rates to providers, those dollars should flow to providers. But there are complex structures and regulations under Medicaid managed care and with the integration of BH and physical health funds there is a further risk of losing visibility. House Bill 2584 would address these issues and provide a transparency mechanism for how appropriated dollars flow. Rate increases are essential for community BH agencies to recruit and retain staff in order to expand access and provide the needed intensity and frequency of services. Ensuring transparency, so that rate increases are applied where intended, is critical. In the new world of integrated and collaborative care, team-based interventions are the norm, and team-based care is critical. Section 1 of this bill requires that the HCA work with actuaries when rate increases are provided to determine whether the case rate for the WISe program should be increased. There was a lack of clarity and consistency in 2018 when BH enhancement funds were provided among regions and MCOs, creating substantial delays and confusion pertaining to enhancement funding being passed on to WISe providers. This bill would ensure that services reimbursed by way of a case rate are included when implementing provider rate increases under managed care. Prior to 2018 and the provision of enhancement dollars, providers were facing a workforce crisis having experienced excessive vacancies and struggling to retain staff. Many staff were leaving to accept positions with the state or in hospitals for much higher salaries. In the year prior to enhancement funding, one agency only managed to replace staff who left. Following enhancement funding, this agency was able to make changes in salaries and implement performance incentives resulting in an increase in staffing by more than 23 percent. Managed care organizations are in strong support of this legislation. As the state transitions into integrated managed care, there will be bumps along the road in terms of implementation. This bill is a good example of trying to deal with a rate increase in a complex environment and will improve transparency and accountability throughout all levels of the system.

(Opposed) None.

(Other) The intent of the bill is good, but the bill has a fiscal impact that is not in the Governor's proposed budget. The HCA has made improvements in terms of the distribution of BH enhancement funds and is making improvements with regard to the WISe funds.

Persons Testifying: (In support) Ann Christian, Washington Council for Behavioral Health; Mary Stone-Smith, Catholic Community Services of Western Washington; Laurie Lippold, Partners for Our Children; and David Knutson, Community Health Plan of Washington.

(Other) Jason McGill, Health Care Authority.

Persons Signed In To Testify But Not Testifying: None.