STORAGE NAME: h2087.hhs
DATE: April 20, 1999

HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
HEALTH AND HUMAN SERVICES APPROPRIATIONS
ANALYSIS

BILL #: HB 2087 (formerly PCB CF 99-07)

RELATING TO: Medicaid Managed Health Care

SPONSOR(S): Committee on Children & Families and Representative Murman

COMPANION BILL(S): SB 1134 (Identical)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) CHILDREN & FAMILIES YEAS 9 NAYS 1
(2) HEALTH AND HUMAN SERVICES APPROPRIATIONS
(3)
(4)
(5)

I. SUMMARY:

Amends paragraph (b) of subsection (3) of section 409.92, F.S., 1998 Supplement, and authorizes AHCA to award additional contracts for providing comprehensive behavioral health care including substance abuse services to certain Medicaid recipients. The bill makes the following changes:

- Expands the counties that AHCA is authorized to provide a behavioral health managed care project.
- In counties that have over 300,000 Medicaid recipients, it requires AHCA to award one contract for every 100,000 Medicaid recipients.
- Limits total administrative cost associated with contracts and subcontracts to 10 percent of the flat monthly fee per enrollee or capitation rate.
- Excludes counties where a provider service network is in operation on October 1, 1999, from the planning elements delineated in paragraph (b) of subsection (3).
- Prohibits AHCA from initiating a contract for a behavioral managed care model until AHCA has made an assessment to ensure the readiness of a community delivery system to address the need of the population.
- Changes the name of inpatient and outpatient mental health care to behavioral health care. Behavioral health care includes mental health and substance abuse services.
- Requires that AHCA consult and coordinate plans to expand behavioral managed care projects with DJJ and DCF.
- Requires that plans be county or district specific and developed with local participation including community based providers .
- Excludes children receiving residential and nonresidential services from inclusion in a behavioral health care managed care contract.
- Requires the plans ensure indigent care patients are not displaced from facilities in the behavioral health care project to hospitals licensed under chapter 395 unless these facilities are reimbursed for the cost of all treatment.
- Requires a plan to be submitted by November 1, 2000 to the appropriate fiscal and substantive committees of the House of Representatives and the Senate. Authority to expand behavioral managed care projects to another district shall be granted by the Legislature.
- In counties or districts where the expansion cannot occur within 3 years, it requires the plan to state the reasons why the time frame for expansion cannot be met and the efforts that should be made to address the obstacles, which may include alternatives to behavioral managed care.
- Requires hospitals licensed under chapter 395 to be included in subcontracts for inpatient behavioral health services.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Medicaid

Medicaid is a medical assistance program that pays for health care for the poor and disabled. The program is jointly funded by the federal government, the state, and the counties. The federal government, through law and regulations, has established extensive requirements for the Medicaid Program. The Agency for Health Care Administration is the single state agency responsible for the Florida Medicaid Program. The statutory provisions for the Medicaid Program appear in ss. 409.901 through 409.920, F.S.

Medicaid is a significant funding source for financing mental health services in Florida. Florida's public mental health and substance abuse programs coexist with a separately administered and funded Medicaid program. As a result, two state agencies administer funds for services. The Department of Children & Families manages the state Alcohol, Drug Abuse & Mental Health Services Program (ADM) and AHCA manages the Medicaid Program. In 1997-98 the two agencies spent over $984 million on mental health and substance abuse services. Federal funds covered 39 percent of the cost.

Medicaid has grown as a funding mechanism for community-based mental health and substance abuse programs; from 24 percent of total appropriations in Fiscal Year 1992-93 to 28 percent of total appropriations in Fiscal Year 1997-1998. Medicaid reimburses the cost of approved services for department clients who meet financial eligibility criteria, and the department contracts for additional needed services not covered by Medicaid. In addition, the department pays for the full cost of services for clients who do not qualify for Medicaid.

STATE FUNDING FOR MENTAL HEALTH AND SUBSTANCE ABUSE PROGRAMS IN FLORIDA
The Department of Children and Family Services (DCFS)
&
The Agency for Health Care Administration (AHCA)
FY 97/98 Expenditures (in millions)

	State Funds			Federal Funds			
	General Revenue	State Trust Fund	Subtotal (State dollars)	Federal Medicaid Funds	Federal Block Grants	Subtotal (Federal dollars)	**TOTAL**
Alcohol, Drug Abuse & Mental Health Services	$271.1	$13.4	$284.5		$76.1	$76.1	$360.6
Mental Health Institutions	$152.1	$6.8	$158.9	$101.3		$101.3	$260.2
Medicaid Services mental health (& substance abuse for dually diagnosed) AHCA	$98.3	$59.1	$161.1	$202.5		$202.5	$363.6
TOTAL	$521.5	$79.3	$604.5	$303.8	$76.1	$379.9	$984.4

Section 409.912, F.S.
Section 409.912, F.S., directs AHCA to maximize the use of prepaid per capita and prepaid aggregate fixed-sum basis services when appropriate, and other alternative service delivery and reimbursement methodologies, including competitive bidding, to facilitate the cost-effective purchase of a case-managed continuum of care. The section also authorizes AHCA to contract with a variety of entities on a prepaid per capita or prepaid aggregate fixed-sum basis for the provision of goods and services to Medicaid recipients.

Section 409.912(3)(b), F.S., allows AHCA to use a managed care model to deliver mental health care to certain Medicaid recipients in Hillsborough, Highlands, Hardee, Manatee, and Polk counties, through a capitated, prepaid arrangement pursuant to the federal waiver provided for by s. 409.905(5). F.S. The provision specifies that the Medicaid mental health managed care demonstration project provider must become licensed under:

- chapter 624, F.S., which provides the general indemnity insurance regulatory provisions of the Florida Insurance Code;
- chapter 636, F.S., which provides the regulatory structure for the regulation for prepaid limited health service organizations by Department of Insurance; or
- chapter 641, F.S., which provides the regulatory structure for Health Maintenance Organizations.

The purpose of a prepaid mental health managed care model is to assist AHCA in predicting and containing Medicaid cost for mental health services. A managed care model uses techniques such as clinical protocols, prior approval and utilization management to control cost and the type and frequency of services.

Medicaid mental health managed care demonstration project
The Medicaid mental health managed care demonstration project is currently operational in the Department of Children & Family Services Districts 6 & 14. In these districts, Medicaid mental health services for Medipass enrollees (i.e., Medicaid enrollees who are assigned a primary care physician by Medicaid) are provided through a single prepaid mental health plan. In these districts, HMOs provide the full range of mental health services to their enrollees. The plan receives a flat monthly payment per enrollee (also known as a capitation rate) and is at risk to provide the full range of mental health care to their enrollees, excluding pharmaceuticals. This approach is often referred to as a “carve-out design” because mental health services are administered and financed separately from physical health services. Medicaid substance abuse services continue to be provided on a fee-for-service basis in these districts.

Some HMOs subcontract mental health services to providers at a flat monthly payment per enrollee (also known as a subcapitation rate) and keep a portion of the fee to cover administrative cost. A criticism of subcapitation is that service dollars for individuals in need of mental health services shrink each time there is a subcontract for services.

In the remainder of the state, all Medicaid mental health and substance abuse services are provided on a fee-for-services basis for both Medipass enrollees (without preauthorization by the primary care physician gatekeeper) and HMO enrollees (outside the purview of the HMO). HMOs authorize and pay psychiatric inpatient admissions for their enrollees.

B. EFFECT OF PROPOSED CHANGES:

Authorizes AHCA to award additional contracts for providing comprehensive behavioral health care including substance abuse services to certain Medicaid recipients.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

N/A

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

   a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

      N/A

   b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

      N/A

4. Individual Freedom:

   a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

      N/A

   b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

      N/A

5. Family Empowerment:

   a. If the bill purports to provide services to families or children:

      (1) Who evaluates the family's needs?

          N/A

      (2) Who makes the decisions?

          N/A

      (3) Are private alternatives permitted?

          N/A

      (4) Are families required to participate in a program?

          N/A

      (5) Are families penalized for not participating in a program?

          N/A

   b. Does the bill directly affect the legal rights and obligations between family members?

      N/A

   c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Section 409.912, F.S.

E. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends paragraph (b) of subsection (3) of section 409.92, F.S., 1998 Supplement.

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Section 2. Specifies an effective date for the act of October 1, 1999.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

N/A

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

This bill utilizes a managed care prepaid model for providing an array of services to persons qualified under Medicaid. When a managed care model is used, the customary practice (including the pilot project in Districts 6 and 14) is to pay less than the fee for service model and extract up to 10% savings. Since the bill specifically does not address this savings, it is assumed that the agency will establish guidelines in its contract with the managed care provider. The complex issue of recipient enrollment using current providers or new providers will have to be worked out by the agency so that private sector providers for certain children's populations will not be negatively and severely impacted.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to expend funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce revenue raising authority.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON CHILDREN & FAMILIES:

Prepared by: Staff Director:

Bob Barrios Bob Barrios

AS REVISED BY THE COMMITTEE ON HEALTH AND HUMAN SERVICES APPROPRIATIONS:

Prepared by: Staff Director:

Robert Wagner Lynn Dixon