

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 2404

SPONSOR: Children and Families Committee and Senator Lynn

SUBJECT: Substance Abuse Services

DATE: April 8, 2003

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Collins</u>	<u>Whiddon</u>	<u>CF</u>	<u>Favorable/CS</u>
2.	<u>Fabricant</u>	<u>Belcher</u>	<u>AHS</u>	<u>Favorable</u>
3.	<u>                    </u>	<u>                    </u>	<u>AP</u>	<u>Withdrawn: Favorable</u>
4.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
5.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
6.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## I. Summary:

This bill amends s. 394.74, F.S., authorizing the Department of Children and Family Services (DCF or the department) to adopt by rule new payment methodologies that include fee-for-service, prepaid case rate or prepaid capitation contract payment mechanisms for purchasing mental health or substance abuse services. This authority will provide additional contracting flexibility to the department and improve language consistency with other sections of the statute. The bill prohibits the rule from changing the ratio of state to local resources or changing the sources of matching funds. It additionally prohibits the increase of local matching funds.

The bill amends s. 394.9082, F.S., modifying the current language to reflect that the managing entity is accountable for behavioral health care services that are specified and funded by the department and the Agency for Health Care Administration (ACHA or the agency). The bill also creates new language regarding the data systems and reporting requirements of the strategy areas, creating reporting flexibility that is needed in the strategy areas.

The bill also directs the expansion of the “managing entity” concept into Districts 4 and 12 specifically for substance abuse services and restricts service expansion in those districts to the area of substance abuse. In these districts, a managing entity is to be accountable for the provision of substance abuse services to the recipients of child protective services. The department is directed to work with stakeholders to develop a phase-in of services, provide technical assistance to assure district and provider readiness, and enter into a contract with a managing entity.

The department must maintain detailed information on the methodology used for selecting the managing entity. A non-competitive contract may be entered into with a selected managing

entity. Contract performance objectives must be developed ensuring that services delivered directly impact the child's permanency plan. Existing statutory requirements relating to the goals and essential elements of service strategies are waived during the initial implementation of this expansion project.

The department is directed to implement this project and provide status reports to the appropriate substantive committees of the Senate and the House of Representatives no later than February 29, 2004 and February 28, 2005. The integration of all services agreed upon by the managing entity and authorized by the department must be completed within 2 years after project initiation.

The bill provides additional direction for the study currently required to be conducted by the Florida Mental Health Institute (FMHI), as a part of the ongoing evaluation of the strategies. The state must address the strategies implemented in Districts 1, 8, 4 and 12, and, based upon this study, the department and AHCA must provide a report no later than December 31, 2006, to the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives. The report must contain recommendations for the statewide implementation of successful strategies, including any modifications to the strategies currently in use and target dates for statewide implementation.

This bill amends sections 394.74, and 394.9082, of the Florida Statutes.

## **II. Present Situation:**

### *Unit Cost Methods of Payment*

The department is authorized by s. 394.74, F.S., to contract with local providers for the establishment and operation of local substance abuse and mental health programs.

Notwithstanding s. 394.76(3)(a) and (c), F.S., the department may use a unit cost method of payment in contracts for substance abuse and mental health services. The section specifies how fees are paid on behalf of a specific client and how all fees collected and used by the provider are accounted for in order to determine the amount of services funded by the department, preventing duplicative payments for the same services. This section also allows the department to reimburse actual expenditures for start up contracts.

### *Behavioral Health Service Delivery Strategies*

The Department of Children and Family Services and the Agency for Health Care Administration are directed in s. 394.9082, F.S., to develop service delivery strategies that will improve the coordination, integration, and management of the delivery of mental health and substance abuse treatment services to persons with emotional, mental, or addictive disorders. These strategies were intended by the Legislature to promote movement towards a well managed and integrated service delivery system that increases consumer access to services and improves the coordination and continuity services for vulnerable and high risk populations. The strategies also assist in re-directing service dollars from out-of-date service models to more community-based models as well as to reward the development of more efficient care patterns.

The Medicaid, mental health, and substance abuse treatment programs are three unique systems with unique eligibility criteria and service payment systems. These eligibility criteria and

payment methodologies can make it difficult for a client to obtain the continuum of services that are needed for recovery. The service delivery strategies specified in s. 394.9082, F.S., are intended to be the first phase of transferring the provision and management of mental health and substance abuse services provided by the Department of Children and Families and the Medicaid program from a traditional fee-for-service and unit-cost contracting methods to risk sharing arrangements.

The law authorizes the department and the agency to contract with a managing entity in at least two geographic areas, but both the department and the agency are required to contract with the same managing entity in any distinct geographic area where the strategy is implemented. The managing entity is required to be accountable for the delivery of behavioral health care services specified by the department and the agency. The term “behavioral health services” means mental health and substance abuse treatment services that are provided with state and federal funds. Districts 1 and 8 were selected as the demonstration sites to test new models for managing, integrating, and delivering behavioral health strategies that are directed by s. 394.9082, F.S.

The statute provides for the implementation of two types of strategies. Both of these strategies allow the department and the agency to:

- Establish benefit packages based on the level of severity of illness and level of client functioning;
- Align and integrate procedure codes, standards, or other requirements if it is jointly determined that these actions will simplify or improve client services or efficiencies in service delivery;
- Use prepaid per capita and prepaid aggregate fixed-sum payment methodologies; and
- Modify their current procedure codes to increase clinical flexibility, encourage the use of the most effective interventions, and support rehabilitative activities.

Since the implementation of these strategies in District 1 and District 8, an initial evaluation has been conducted by the Florida Mental Health Institute and a report provided to the department, the Legislature and the Executive Office of the Governor on December 30, 2002. This study indicates that upon initial evaluation, the use of these strategies appears to be promising and have positive effects. District 1 is at a more mature phase of strategy implementation and appears to have experienced more success than the strategy implemented in District 8. A more comprehensive study that will include a more detailed financial audit is scheduled to be completed by June 2003 and will provide additional information to better evaluate the success of these strategies.

### **III. Effect of Proposed Changes:**

This bill amends s. 394.74 F.S., authorizing the department to adopt by rule fee-for-service, prepaid case rate or prepaid capitation contract payment methodologies to purchase mental health and substance abuse services. Fee-for-service, prepaid case rate, or prepaid capitation mechanisms may not be implemented statewide without the elimination of the unit cost method of payment. This language would provide the department with increased flexibility relating to mental health and substance abuse payment methodologies to allow full “prepayment” of contracts thereby reducing the need for budget and contract amendments. This bill will also provide the opportunity for the department to “phase out” the unit cost payment methodology as

it is determined appropriate and to utilize more efficient contract and payment methodologies. This change will also improve the consistency of language regarding contracting requirements identified in s. 394.74, F.S., and s. 394.9082, F.S. The bill also prohibits these provisions from changing the ratio of state to local resources, changing the sources of local matching funds, or resulting in an increase in local matching funds. This language provides the possibility for additional flexibility in acquiring local match. For example, a local county may prefer paying the match to the managing entity rather than each individual service provider, and such arrangements could be authorized in the rule.

This bill modifies the language in s. 394.9082, F.S., pertaining to the behavioral health services for which the managing entity is accountable. The managing entity will be accountable, at a minimum, for behavioral health services that are specified and funded by the department or agency.

This bill provides some flexibility in the data management and reporting systems utilized in the strategy areas. Strategy implementation areas are directed to develop or utilize data reporting systems that address the management and clinical care needs of the service providers and managing entities and to be capable of providing information needed by the department for required state and federal reporting. In order to provide flexibility in developing new data systems, a strategy implementation area is not required to provide information that matches all of the current state reporting requirements as long as the strategy's data system includes client demographic, admission, discharge, enrollment, service events, performance outcome information, and functional assessment data.

During the implementation of the strategy in District 1, it was noted that current department data reporting requirements produced duplicative efforts and frequently did not contribute to meeting the directive to develop innovative processes. This change will result in the department receiving the data it needs for state and federal reporting as well as providing local flexibility to develop systems that are needed by the users.

This bill also authorizes the establishment of a single managing entity for the delivery of substance abuse services to child protective services recipients in District 4 and 12 and restricts the expansion of subsequent services to the area of substance abuse. The managing entity is to be accountable for the delivery of only substance abuse services to a targeted group, child protective services recipients.

The department is directed to develop with affected stakeholders and implement a plan that allows the phase-in of services beginning with the delivery of substance abuse services with the phase-in of subsequent services agreed upon by the managing entity and authorized by the department and to provide the necessary technical assistance to assure the provider and district meet readiness requirements. Upon meeting readiness requirements, the department is authorized to enter into a non-competitive contract with the entity.

The department is required to maintain detailed information on the methodology used for the selection of the managing entity as well as the justification for the selection. Performance objectives are to be developed to ensure the services delivered directly affect and complement the child's permanency plan.

During the initial planning and implementation phase of this project, the requirements to meet the established goals for the service delivery strategies and the requirement for the managing entity to demonstrate its ability to provide comprehensive behavioral services are waived.

Status reports on the implementation of this strategy are to be provided to the substantive committees of the Senate and the House of Representatives no later than February 29, 2004 and February 28, 2005. The integration of all services agreed upon by the managing entity and authorized by the department must be completed within two years after project initiation.

Ongoing monitoring and evaluation of this project are to be conducted in accordance with the monitoring requirements specified in s. 394.9082, F.S. The bill directs that a study be conducted by FMHI, as part of its ongoing evaluation of the strategies, to address the strategies implemented in Districts 1, 8, 4 and 12. This study must also address best practice models in other states as well as programmatic outcomes that must include but are not limited to: timeliness of service delivery, effectiveness of treatment services, cost effectiveness of selected models, and customer satisfaction with services.

Based on the results of this study, the department and AHCA, in consultation with the managing entities, must provide a report to the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives. This report must contain recommendations for statewide implementation of successful strategies, including any modifications to the strategies currently in use. The report must also address the identification and prioritization of strategies to be implemented as well as target dates for completion of “milestones” and full implementation of strategies statewide. This report is to be provided by December 31, 2006.

The language providing for establishing a managing entity to provide substance abuse services to a targeted recipient group is much narrower in scope than the original language directing behavioral health care strategies. However, the provision of these sets of services is needed in the geographic areas identified, and local services providers are currently prepared to undertake a more limited role than those of the initial managing entities. The implementation of this program will provide an opportunity to evaluate a different service model, to initiate services in a limited fashion, and expand based upon local needs.

#### **IV. Constitutional Issues:**

**A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

This bill will provide additional flexibility in developing contract and payment methodologies that will better meet client needs.

This bill will help to reduce duplicative contract, budget, and data related activities for the strategy areas.

Changes in the billing process will require training for the provider staff regarding changes to software and accounting practices.

**C. Government Sector Impact:**

Changes in the billing methods will result in a need to provide training for district/region staff. Significant changes will be required in the software system to collect information required by the Mental Health and Substance Abuse programs.

The department anticipates a statewide impact upon staff who will be required to process status reports to the House and Senate for delivery in February 2004 and 2005.

The department indicates that the expansion project in District 4 and 12 will result in increased workloads for state and district level staff. The implementation plan for this project will need to be developed and will require coordination and consultation with stakeholder staff.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.