

# State Profile Highlights



Information from the National Association of State Mental Health Program Directors Research Institute, Inc (NRI) No. 05-6 Sept. 8, 2005

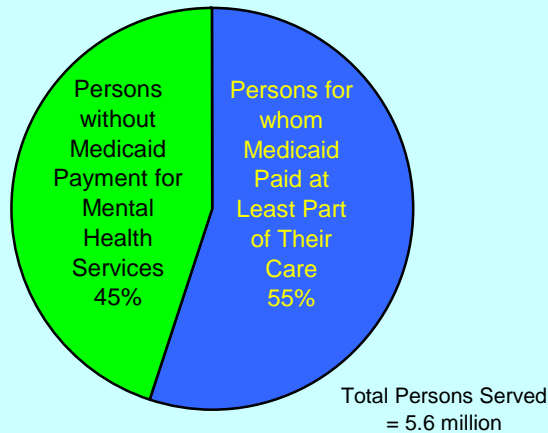
## *State Mental Health Agency (SMHA) Relationship to Medicaid For Funding and Organizing Mental Health Services: 2004*

### MAJOR FINDINGS

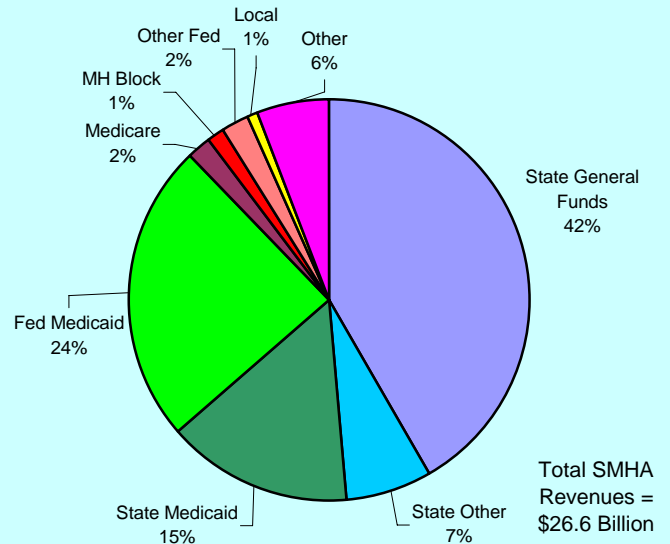
- ◆ Over 55% of consumers have at least a portion of their mental health services paid by Medicaid.
- ◆ Medicaid is the fastest growing source of funding of SMHA mental health services representing 39% of SMHA funds.
- ◆ Most States are using Medicaid to reimburse for mental health Evidence-Based Practices.

Medicaid is a source of payment for mental health services provided to the majority of consumers served by State Mental Health Agencies (SMHAs). In 2004, SMHAs served over 5.6 million consumers and reported data on the Medicaid payment status of over 5.1 million consumers. Over 55% (2.8 million) mental health consumers served (with known payment status) had at least part of their mental health treatments paid for by Medicaid.<sup>i</sup>

**Medicaid Payment Status of Mental Health Consumers of State Mental Health Agency Systems, 2004**



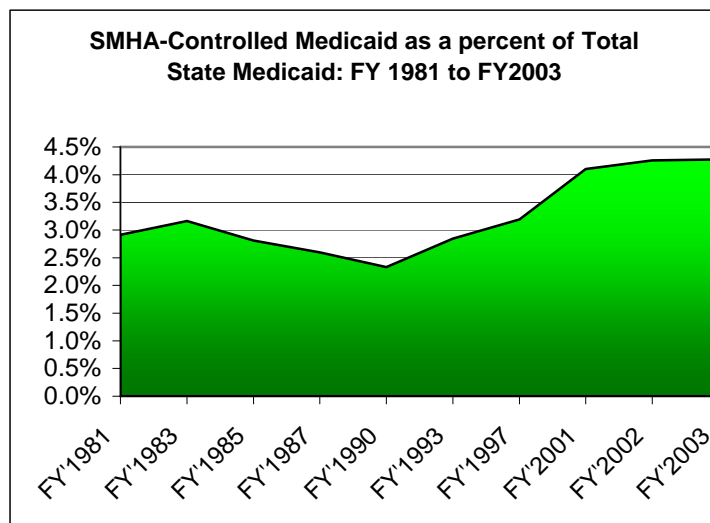
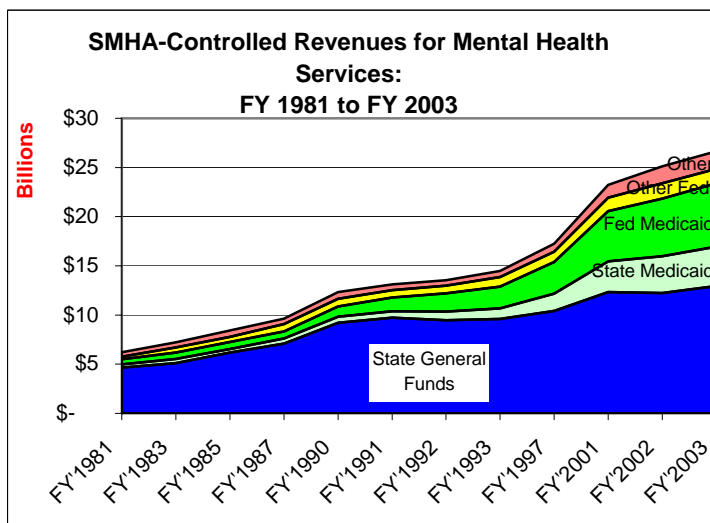
**SMHA-Controlled Revenues for Mental Health, FY'2003**



In State Fiscal Year 2003, SMHAs reported that their mental health systems received revenues of over \$26.6 billion for mental health services. Although State General and Special funds represent 49% of SMHA funding, Medicaid is becoming the major source of new fiscal resources for SMHA-controlled mental health services.<sup>ii</sup> From FY'97 to FY'03, SMHA controlled revenues for mental health services that were derived from Medicaid grew much faster than funds from all other sources. Medicaid revenues (state match and federal funds) more than doubled from \$4.97 billion in FY'97 to \$10.4 billion in FY'03, an increase of 110%. During this same time period, State general and other funds increased from \$10.4 billion to \$13 billion, an increase of 24%. Total SMHA-controlled revenues increased from \$17.3 billion to \$26.6 billion, an increase of 54% during this period. Thus, Medicaid represented 58% of all new funds to SMHA systems during this six year time period while State General and Special funds contributed 26% of the increase.

Nationally, Medicaid expenditures become the focus of Governors and the Federal Government as the fastest growing part of state government budgets. From 1997 to 2003, total Medicaid spending grew 57%, but Medicaid mental health spending for SMHA services has grown even faster than overall Medicaid rates. In FY 1981, SMHA-controlled Medicaid funds were 2.9% of total Medicaid spending. By 2003, this had increased to 4.3% of Medicaid. However, much of this growth in Medicaid occurred during the 1990s, and the growth rate of mental health Medicaid has increased only slightly as a percent of total Medicaid in the last few years.

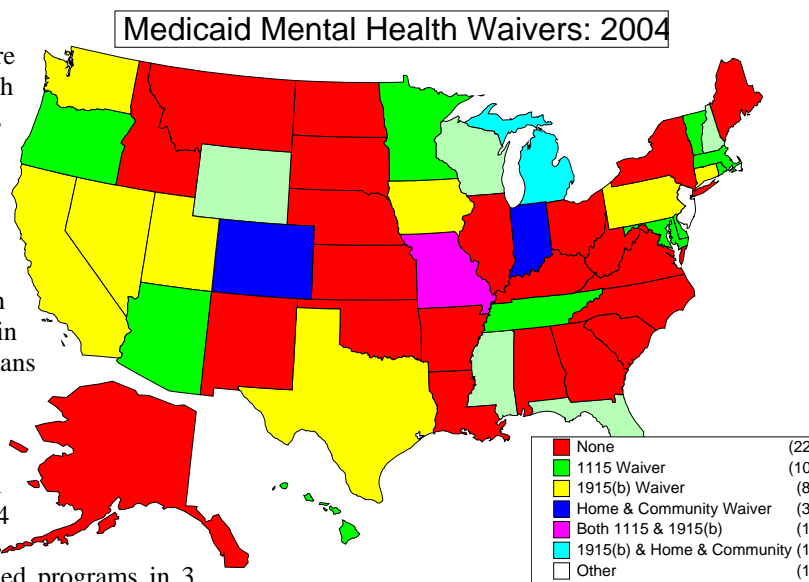
Medicaid is expended by States for mental health services, both through reimbursement for services provided at state psychiatric hospitals, and at community mental health programs funded by SMHAs. In FY'2003, Medicaid represented 26% of all revenues at state psychiatric hospitals, and 48% of the revenues of the community mental health system operated or funded by SMHAs.



**Community Mental Health Services are supported by Medicaid Optional Services and Managed Care Waivers:** Most States (38) (AL, AR, AZ, CA, CO, CT, DC, DE, GA, HI, ID, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, NC, ND, NE, NJ, NM, NV, NY, OH, OK, OR, RI, SC, SD, TX, VA, WA, WV, ) have adopted the Medicaid Rehabilitation Option to provide community mental health services. In 24 States, the clinic option is used (CT, DE, HI, ID, IN, KY, LA, MA, MD, ME, MI, MN, MO, MT, NC, NE, NJ, NY, OH, SC, SD, TX, VA, WV, ) and in 11 States, COBRA “targeted” case management to cover mental health services is used (AL, CT, HI, ID, KY, MA, MD, MN, MO, NJ, and NY).

**Medicaid Managed Care Waivers:** Half the States (27) are using managed care practices to provide behavioral health services. The Medicaid 1115 Waiver is used in 11 States (AZ, DE, HI, MA, MD, MN, MO, OR, RI, TN, and VT). The 1915(b) Waiver is used in 10 States (CA, CT, IA, MI, MO, NV, PA, TX, UT, and WA). Four (4) states use Home and Community Based Care waivers (CO, DC, IN, and MI). Other managed care practices are used in 3 States (CA, IN, and NJ). In the States using managed care practices, behavioral health services were provided to approximately 2.4 million persons (in 25 states) and 15.7 million persons were covered under these plans (23 states).

**SMHA Responsibility for Setting Medicaid Rates:** State Mental Health Agencies control Medicaid rates for mental health services in SMHA funded or operated programs in 14 States (AZ, CA, DC, KS, MA, MD, ME, MI, MO, NY, PA, RI, SD, and WA) and control rates in non-SMHA funded programs in 3 States (MD, ME, and NY). The SMHA is the single state agency responsible for setting Medicaid rates for mental health services in 9 States (AZ, CA, DC, MD, ME, MN, MT, OR, and WA).



**Medicaid Eligibility:** Many States (28) extend Medicaid coverage to cover medically needy clients (AR, AZ, CA, CT, DC, FL, GA, IA, KS, KY, LA, MA, MD, ME, MI, MN, MT, ND, NJ, NY, OK, PA, RI, SD, TN, TX, VA, and WA). In all but five of these States (IA, MI, OK, SD, and TX) mental illness is a factor in determining medical need.

**Reimbursing Evidence-based Practices (EBPs) with Medicaid:** Medicaid is an important source of reimbursement for EBPs that are being promoted as a way of improving the quality of services by the national and state governments. Assertive Community Treatment (ACT) is funded by Medicaid in 36 States. In 21 states, there is a single “bundled” Medicaid rate for ACT. ACT is paid for by the Rehabilitation Option in 26 states, the Clinic Option in 2 states, and managed care waivers in 10 states. Integrated Mental Health/Substance Abuse Treatment is covered by Medicaid in 24 states, Supported Employment in 19 states, Therapeutic Foster Care in 15 states, Multi-systemic Therapy in 12 states, Illness Self-Management and Schizophrenia Treatment Algorithms in 10 states, and Bipolar treatment algorithms in 8 states.

The SMHA Profile Highlights are based on information from 48 SMHAs. The SMHA Profiles data are available via the Internet at [www.nri-inc.org](http://www.nri-inc.org). For further information, please contact Ted Lutterman (ext. 121) on (703) 739-9333 or via e-mail at [ted.lutterman@nri-inc.org](mailto:ted.lutterman@nri-inc.org).

<sup>i</sup> 2004 CMHS Uniform Reporting System, Table 5: Medicaid Payment Status of Mental Health Clients.

<sup>ii</sup> Funding Sources and Expenditures of State Mental Health Agencies: FY 2003, NRI, Alexandria, VA: 2005