SERVING PEOPLE WITH COMPLEX NEEDS: MARKETS AND INCENTIVES

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Overview

- A Guess About the Future of Organization and Financing of Health Care
- Promoting Policy Goals: Tools and Settings
- Issues
  - Beds
  - Access to Quality Care
- Concluding Remarks

The Future

- Continued reliance on markets
  - Insurance
  - Care delivery
- Expanded use of budgeted or quasi-budgeted delivery systems
  - ACOs, Medicare Advantage, Medicaid MCOs
- Implies promoting policy goals with
  - Incentives
  - Competition
  - Market regulations

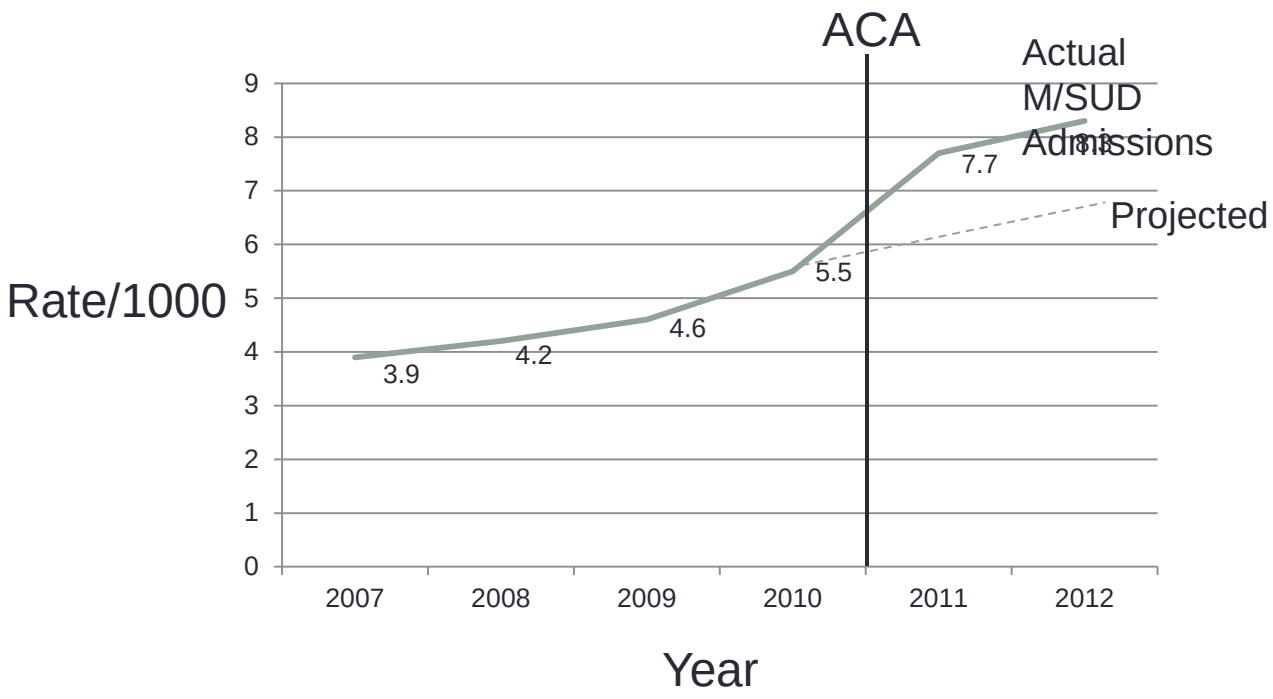
Policy Targets

- Medicaid (now 70% MMCOs)
  - MMCO regulations and contracts
  - Medicaid ACO design (payment; quality)
- Medicare Advantage SNPs
- Medicare ACOs
- Marketplaces

Issues

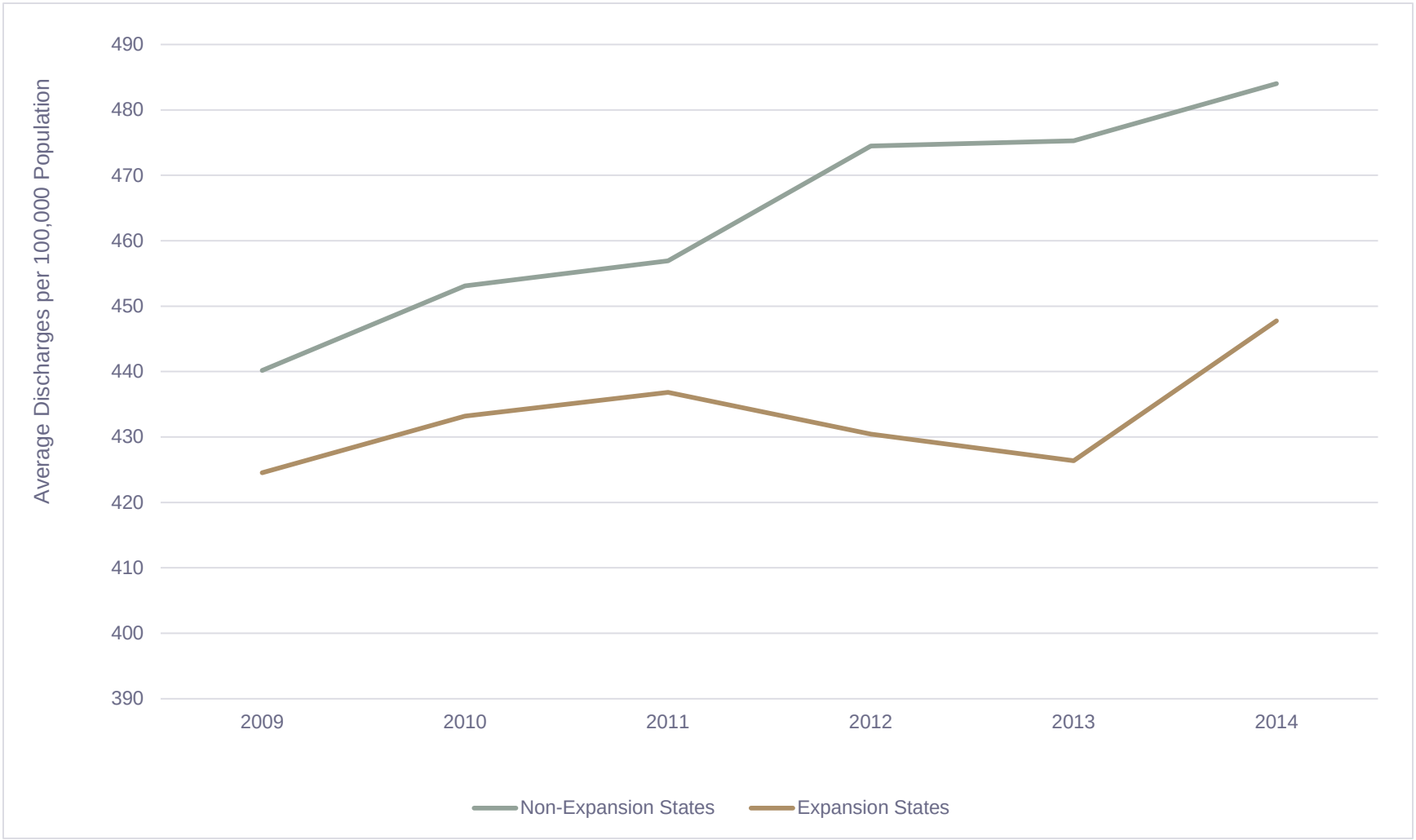
- Beds and market responses
  - IMD
  - Insurance expansion
- Access to quality mental health and SUD care
  - Parity Regulations (Medicaid, Private Insurance)
  - Incentives
    - Risk Adjustment
    - Performance measurement
    - Accountability

Young Adults M/SUD Admissions

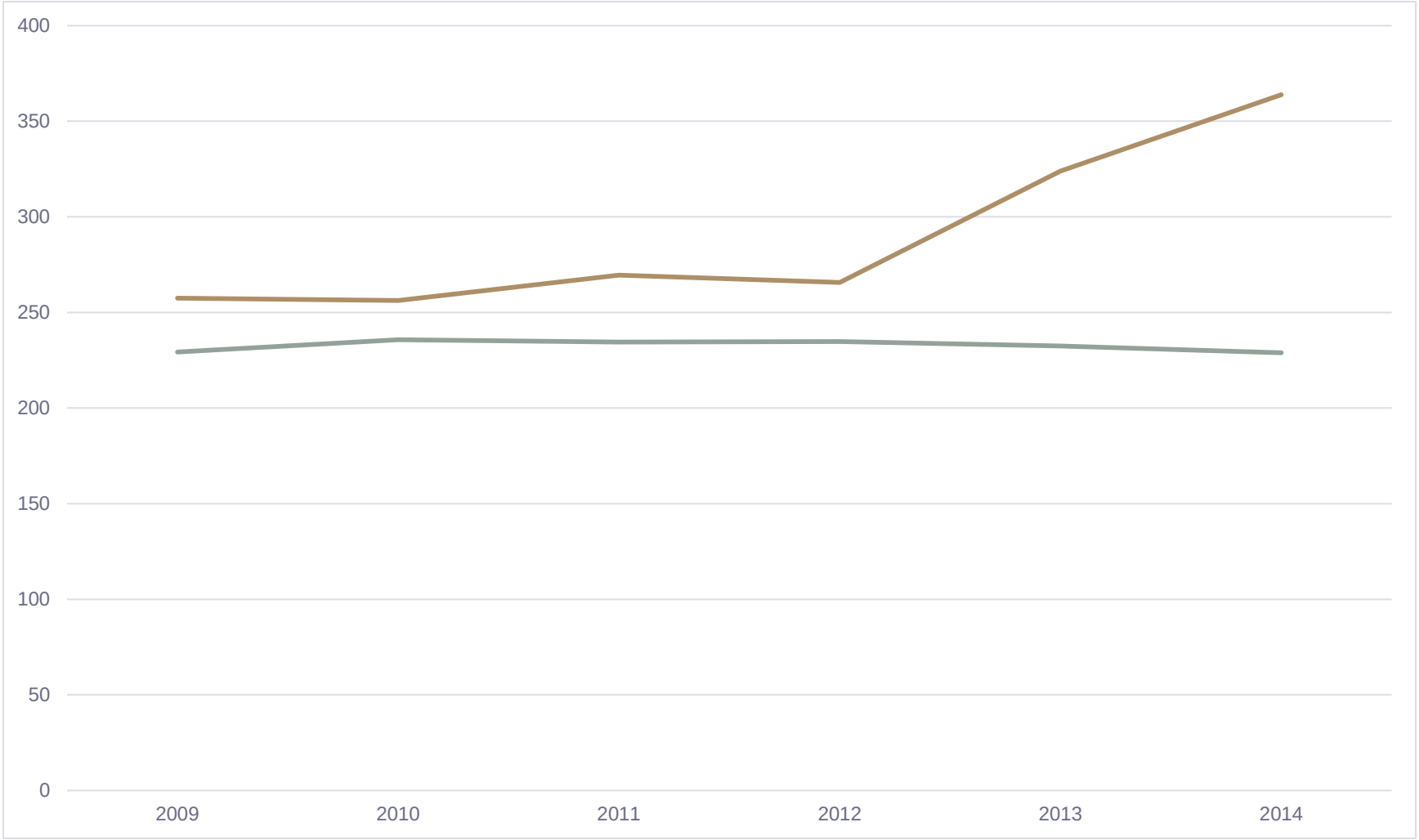


Source: HCCI

Total Psychiatric Discharges per 100,000 Population by Expansion Status



Psychiatric Admissions (100,000) in Expansion vs. Non-Expansion States



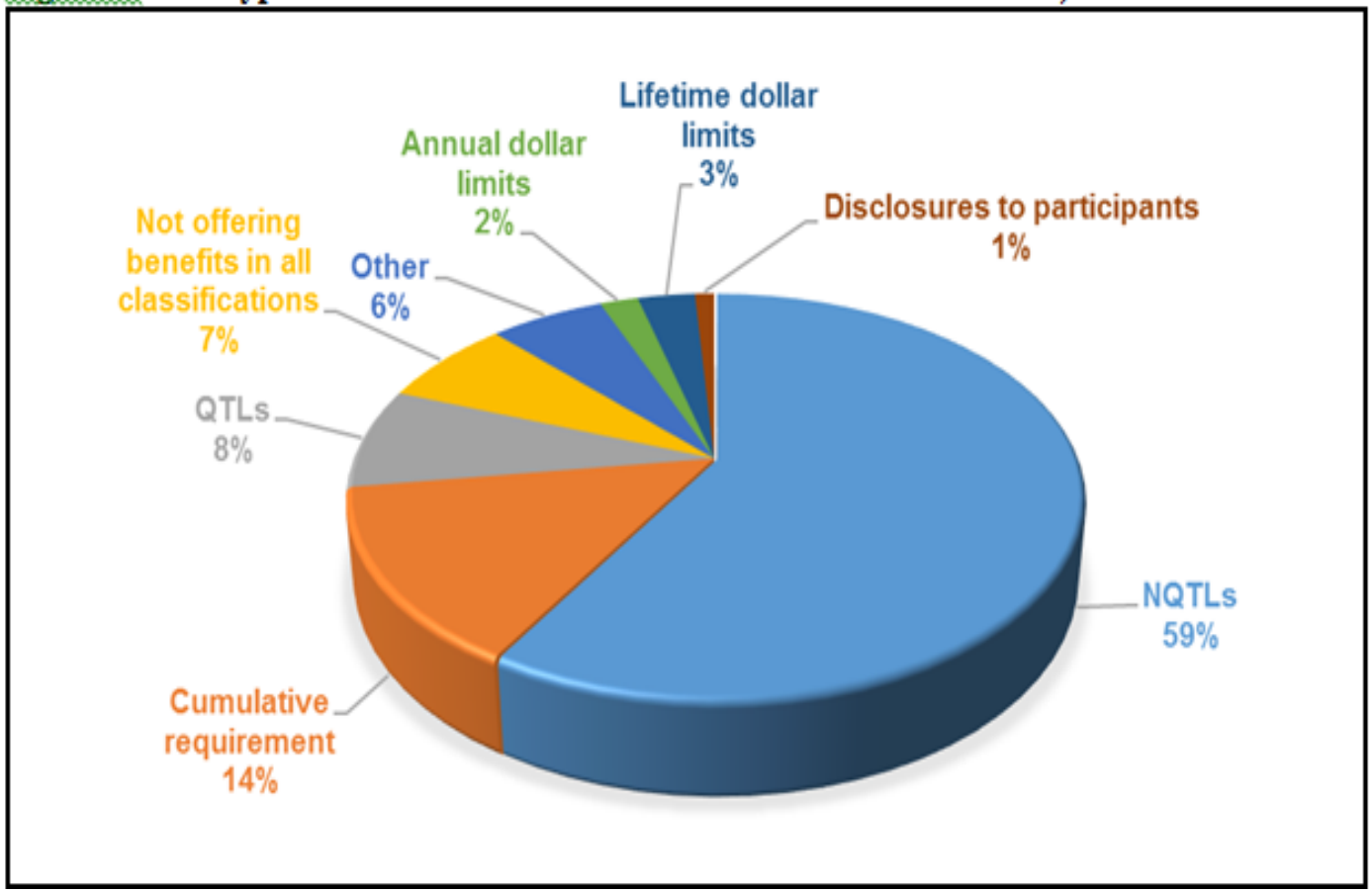
Source: HCUPS; AHRQ

Observations

- Approximately 69,000 specialty psychiatric beds in the U.S that fall under the IMD rule
  - 55% are in public psychiatric hospitals
  - 46% of the beds are devoted to forensic cases
  - Occupancy rates are high in private psychiatric hospitals
- Insurance expansion and parity increased inpatient use by 19% for young adults and 52% in the Medicaid program
- There is an influx of private equity money coming into the behavioral health sector
- The main driver of new investment appears to be coverage expansion
  - How much does the IMD constrain getting the mix right
  - Less cost worry with MMCO

Focusing Parity Enforcement

Figure 1. Types of Violations Found in DOL Enforcement Actions, FY 2010–2015



Source: U.S. Department of Labor

Parity Implementation

- Enforcement on disclosure in private insurance and Medicaid will be important
- Further guidance on NQTLs will help
- Streamlined complaint filing process will also be useful
- BUT incentives to select and under supply remain

High Powered Budget Incentives: Population-Based Payment Systems

- Consolidates funding across service lines
- Moves accountability towards population focus
- Can favor prevention and early intervention approaches
  - Especially for clinical preventive services
- Challenges
  - Business case relies on savings subject to meeting quality thresholds
  - Behavioral health quality measures are under-developed

Consequences

- Potential consequences:
  - We have changed the terms of coverage, but unless we get accountability right, we risk distorting supply in a way that limits potential gains in outcomes
  - In particular, we risk undersupply of care that involves integration of behavioral health and medical care and conditions and people that are best treated using psycho-social care as a component of treatment

What to Measure and How?

- Measuring the quality of care so that it recognizes the integration and appropriate use of psycho-social care is required and difficult
- The challenge is to reward care that is likely to produce good outcomes
  - Ideally we would measure outcomes, but selection risks are high
  - Interim measures of processes that demonstrate integration and effective deployment of psycho-social care may have to be enough
- Measures must be designed to recognize the measure overload environment

Risk Adjustment

- For 50 plus years private insurance has under supplied mental health coverage and care
- Main drivers were incentives to avoid enrolling people with mental and addictive illnesses
- They cost more—both in term of behavioral health and other other medical care
- One must pay plans more for enrolling more costly people—we aren’t very good at that in the behavioral health area

Summing Up

- Markets and budgeted systems of care delivery will be with us for some time to come
- Markets for health insurance have disadvantaged people with mental illnesses and SUD for a long time
- We have improved matters through regulation (parity)
- To further advance—we must address the fundamental incentives in the main market and payment arrangements