

# **Report to the Legislature**

## **Community Services – Regional Support Networks**

ESSB 6002 Sec. 204

November 1, 2014

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Progress Report  
Behavioral Health Integration  
Rate Setting  
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This progress report responds to the requirement in the State Operating Budget, ESSB 6002, Section 204(j) for a progress report to the Behavioral Health Taskforce on rate setting for integrated behavioral health, which states:

*\$120,000 of the general fund--state appropriation for fiscal year 2014, \$780,000 of the general fund--state appropriation for fiscal year 2015, and \$900,000 of the general fund--federal appropriation are provided solely for contracted actuarial services required for integrating treatment services into managed care contracts in accordance with Second Substitute Senate Bill No. 6312 (mental health, chemical dependency). This includes the development of integrated rates for mental health and chemical dependency services that can be used for contracts with behavioral health and recovery organizations effective April 1, 2016, and for integrated physical health and behavioral health contracts with early adopters. The department shall collaborate with the health care authority, the office of the state actuary, and legislative staff on the establishment of these rates. Contracts for these actuarial services must require the contractors to provide information in response to questions from the health care authority, the office of the state actuary, and legislative staff. By November 1, 2014, the department shall provide a preliminary progress report on the rate setting process to the behavioral health task force established in chapter 338, Laws of 2013, and to the appropriate policy and fiscal committees of the legislature. The department shall provide an updated report to the same entities by June 30, 2015.*

The rate setting for integrated behavioral health (BH) rates, combining both the mental health and chemical dependency treatment services, is following the accepted rate setting process for managed care rates established for mental health managed care rates. As required by the Centers for Medicare and Medicaid Services (CMS), rates must be based on known historical costs adjusted for known or anticipated differences between historical and future costs.

The Department of Social and Health Services (DSHS) has engaged Mercer for actuarial services. Mercer has in-depth experience in managed care rate setting both in Washington and nationwide. Mercer is the current actuary for mental health (MH) managed care rates.

The first step in DSHS' rate setting process with Mercer is the collection and summary of historical information regarding the costs associated with chemical dependency (CD) treatment. The process results in a data set that forms the basis for the CD portion of an integrated BH rate. The MH portion of the rates will be based on pre-existing information used to set 2014 rates. The process includes verification by DSHS' Research and Data Analysis (RDA) Division.

The next step in the rate setting process is the presentation of the data that will support the development of the rates to the BH community, including RSN administrative and technical staff, county CD program administrators, and CD/MH provider representatives, and a process for feedback from that community about the factors they believe should influence future rates. Insofar as the factors they identify can be quantified, are verifiable and are accepted by DSHS, they can result in adjustments to a future BH rate. The process parallels the process that DSHS uses in current MH rate setting.

At the same time as the community feedback process is occurring, Mercer and DSHS will be analyzing factors that also might influence future rates. Such considerations may include:

- Demographic and population changes
- Utilization
- Inflation
- Cost trends
- Penetration and prevalence
- Cost and utilization experience in other states
- Potential service benefit changes

The final part of the process will be bringing together the provisions of SB 6312, community feedback and actuarial and DSHS analysis to make policy decisions to support the final development of an actuarially sound rate. DSHS will then present that rate to interested parties and then approving authorities, with CMS being the final approving authority.

Following is a tentative schedule for key milestones. While exact dates are subject to change, these key deliverables will be crucial to the state budgeting and legislative process:

- November 2014 - Preliminary rates by county. The timing of this step will allow incorporation of the November caseload forecast into the estimated fiscal impact of the new rates, which can then be included in the Governor's 2015-17 request budget.
- January – April 2015 – Continued refinement of rates based on discussions during the 2015 Legislative Session.
- June 2015 – Final rates. The timing of this is to ensure that the Department's request for detailed plans from the prospective new managed care entities, the Behavioral Health Organizations (BHOs) created under 2SSB 6312, includes final rates so the BHOs will know the level of their future resources, and can plan service delivery accordingly with sufficient time to begin implementing integrated BH services by April 2016.

Progress to date:

- Mercer and DSHS are finalizing the historical cost data
- DSHS has formed an internal Rate Setting Workgroup
- DSHS has begun meeting with interested parties and formed a "Kitchen Cabinet" that includes RSN staff, county CD program staff, and provider representatives for feedback
- DSHS has initiated the quality assurance process with RDA