



## Medicaid Finance 101 & Behavioral Health Services

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# Overview

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## ► Medicaid

- Joint federal-state health care program with certain national standards and wide latitude for state policy differences for who gets what
- In NM, Medicaid covers low-income individuals, including elderly, disabled, families and children, pregnant women, and very low income adults without children

## ► Cost Drivers and Trends

## ► Major Costs

## ► Behavioral Health Services and Spending



# About the Data

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- ▶ Data as reported by HSD and Medicaid MCOs.
- ▶ Data point in time and can change for a given time period due to new/adjustment for claims, enrollment adjustment etc.
- ▶ Some data are current projected spending by HSD overall (anticipated expenditures); while others reflect actual reported spending by MCO, both subject to adjustments.
- ▶ Some data is state fiscal year – other calendar year
- ▶ All data represent “best information” at the time of this presentation and are not considered final and have not been audited.



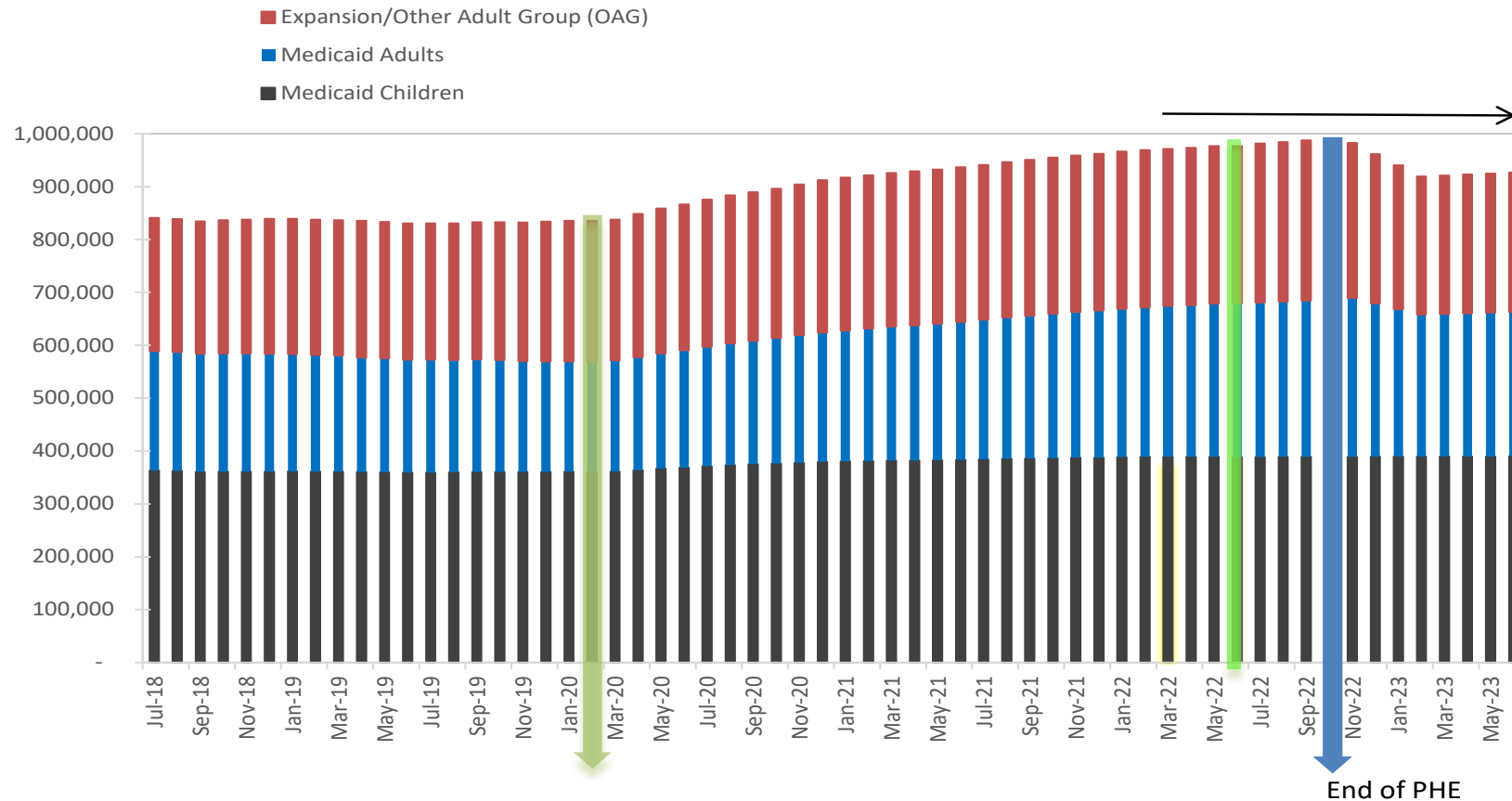
# Key Cost Drivers

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- Enrollment, particularly in managed care
  - State pays a per member (client) per month capitation payment for each enrollee regardless of services used
  - Risks-Pandemic and maintenance of effort
- Healthcare Prices and inflation
- MCO Rates – intended to cover all medical services, administration, profit, taxes
  - Rates MCOs pay to healthcare providers
- Fee-for-Service HSD rates paid to providers
- Members' Use of Services (Utilization)
  - Acuity of members



# Medicaid Enrollment – Approximately 47% of NM population is covered by Medicaid



Source: HSD

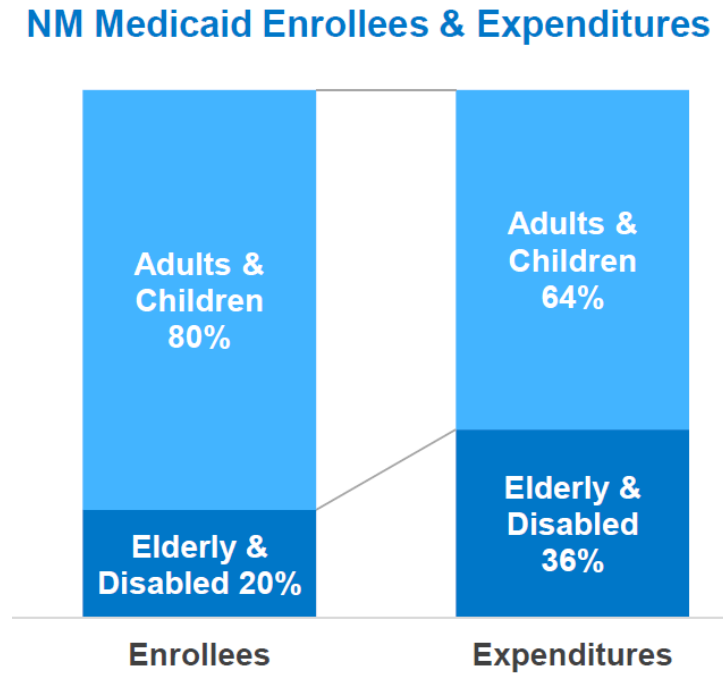


# Medicaid Enrollment

## MAJOR ENROLLMENT CATEGORIES

- June 2022 enrollment - 976,892.
- 297,813 people enrolled in the expansion/other adult group
- 290,510 Medicaid adults
- 388,569 children

## COST DIFFERENCES



Source: HSD



# Key Financing Components

## Revenue Sources

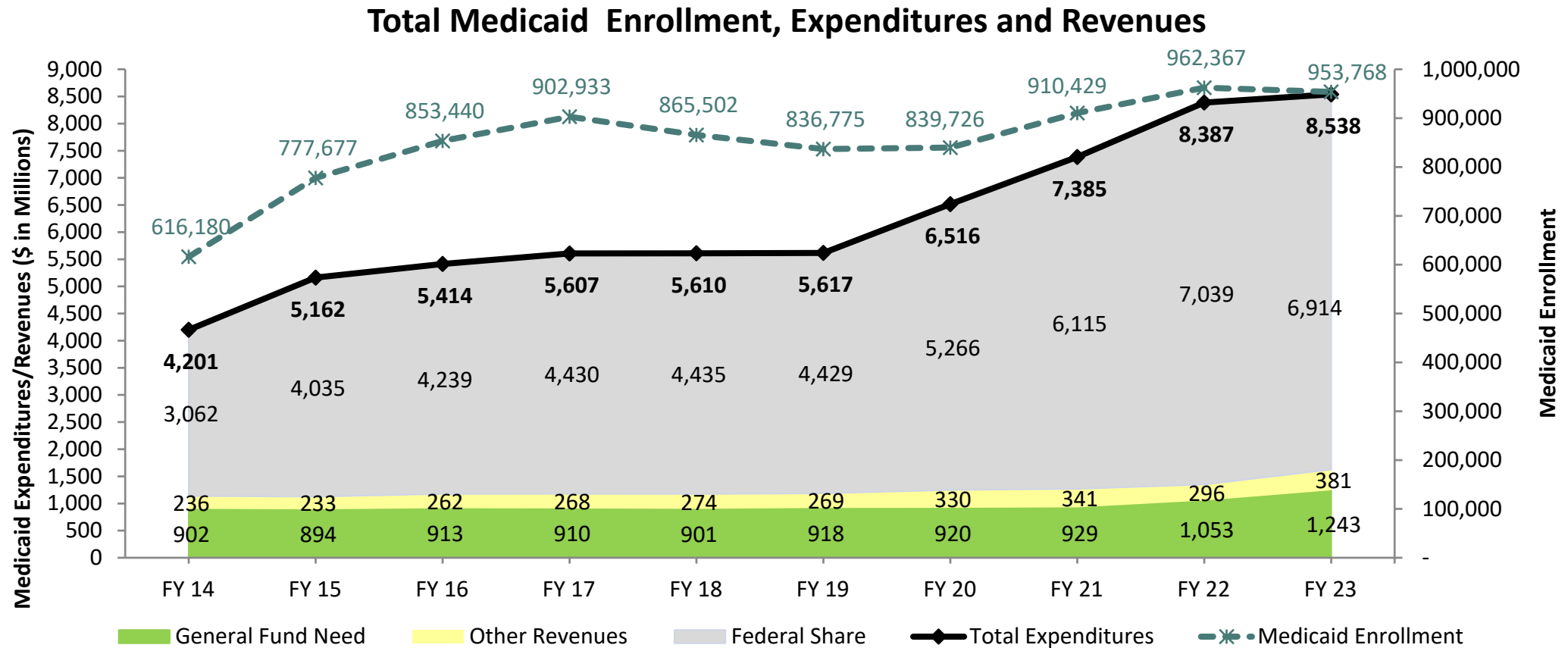
- ▶ General Fund
- ▶ Other State Funds
  - County Supported Medicaid Fund
  - Tobacco Settlement Fund
  - UNM Hospital Transfers
  - Other Agencies (e.g. DOH)
- ▶ Federal Funds
  - Various Matching Rates

## Spending Categories

- ▶ Fee-For-Service
  - Direct Payment to Providers
- ▶ Managed Care
  - Per Member (Client) Per Month Payment to Managed Care Organizations (MCOs)
- ▶ Administration



# Medicaid Enrollment, Expenditures, Revenues

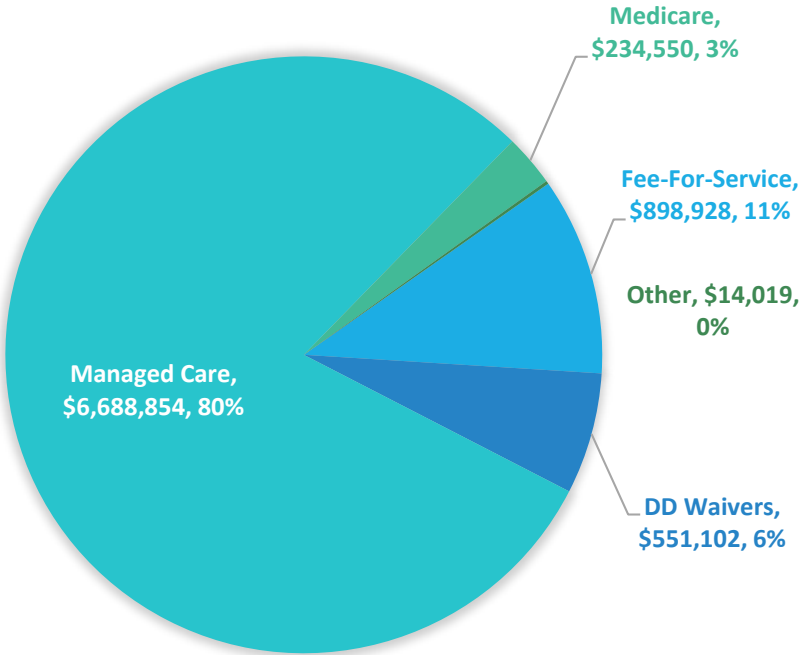




# Medicaid Spending has grown from just over \$5.6 billion in FY17

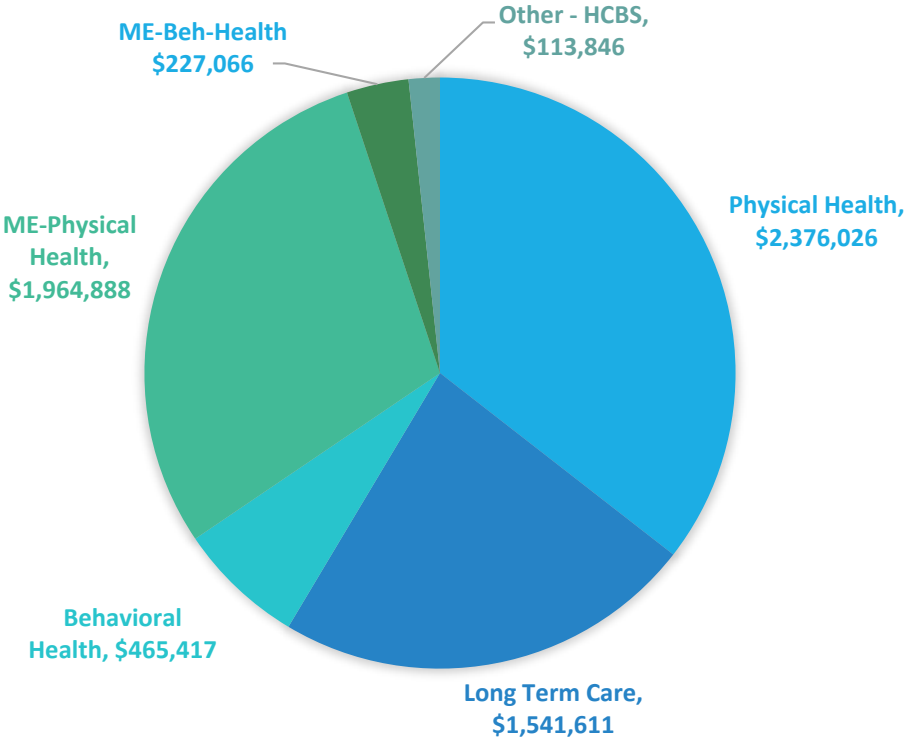
## MEDICAID - FY22 TOTAL SPENDING \$8.38 BILLION

CHART IN MILLIONS



## MEDICAID MCO PROGRAMS - \$6.68 BILLION

CHART IN MILLIONS



Source: HSD June 2022 Projection



# Medicaid Managed Care Spending on Services

## PHYSICAL HEALTH – CY21

Care Coordination	\$ 17,795,761.84
Clinic	\$ 67,572,261.44
Dental & Vision	\$ 108,616,784.94
Home Health	\$ 6,363,634.34
Home Visiting	\$ 181,058.11
Hospice	\$ 1,362,229.67
Inpatient Hospital	\$ 395,997,799.91
Laboratory and Radiology	\$ 29,698,915.28
Other	\$ 355,168,627.24
Outpatient Hospital/ ER/ Urgent Care	\$ 285,191,873.90
Pharmaceuticals/ Supplies	\$ 189,172,862.92
Provider Visit	\$ 329,205,752.63
Transport/ Ambulance	\$ 50,609,339.24
Value Added Services	\$ 8,200,416.20

## LONG TERM CARE – CY21

Ambulatory Surgery Centers	\$ 1,335,436.04
Care Coordination	\$ 46,090,043.32
Clinic	\$ 8,104,772.17
Community Benefit	\$ 92,505,109.46
Dental & Vision	\$ 8,802,694.33
Home Health	\$ 3,105,251.19
Hospice	\$ 16,623,969.62
Inpatient Hospital	\$ 61,300,011.28
Labs/ Radiology	\$ 2,017,694.35
Nursing Facility	\$ 243,518,476.09
Other	\$ 126,101,541.89
Outpatient Hospital/ ER/Urgent Care	\$ 53,519,166.85
Personal Care	\$ 395,168,997.80
Pharmacy/ Supplies	\$ 52,625,757.05
Provider Visit	\$ 39,566,360.59
Transport/ Ambulance	\$ 12,726,544.67
Value Added	\$ 629,126.85

Source: LFC analysis of MCO reports to HSD



# Behavioral Health

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- Behavioral Health Collaborative
- Behavioral Health Funding
- Children's Behavioral Health Opportunities



# What is “Behavioral Health”

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- The term “behavioral health” is a broad term covering both mental illness and substance use disorder, including treatments. According to the federal Substance Abuse and Mental Health Agency (SAMHSA):
- Serious mental illness is defined by someone over 18 having (within the past year) a diagnosable mental, behavior, or emotional disorder that causes serious functional impairment that substantially interferes with or limits one or more major life activities.
- For people under the age of 18, the term “Serious Emotional Disturbance” refers to a diagnosable mental, behavioral, or emotional disorder in the past year, which resulted in functional impairment that substantially interferes with or limits the child’s role or functioning in family, school, or community activities.
- Substance use disorders occur when the recurrent use of alcohol and/or drugs causes clinically significant impairment, including health problems, disability, and failure to meet major responsibilities at work, school, or home.

The coexistence of both a mental health and a substance use disorder is referred to as co-occurring disorders.



# Children's Behavioral Health Examples

**Table 1. Prevalence of Most Expensive Child Behavioral Health Disorders in New Mexico, 2015**

Diagnosis	National Prevalence Rates	Estimated Number of NM children
Post Traumatic Stress Disorder	4%	22,063
Mood Disorders (Depression, Bipolar and Other/Unspecified)	14%	77,222
Attention Deficit Hyper-activity Disorder	11.0%	60,674
Adjustment disorder	7.4%*	40,817
Oppositional defiant disorder	12.6%	69,500

Source: Medicaid, CDC and Cornelius et al. 2014<sup>22\*</sup> Number may be unreliable due to lack of national epidemiological survey data

**Table 2. Most Expensive Child Behavioral Health Disorders in New Mexico, 2015**

Diagnosis	Expenditures
Post Traumatic Stress Disorder (PTSD)	\$18,693,766
Mood Disorders (Depression, Bipolar and Other/Unspecified)	\$16,981,272
ADHD	\$14,698,563
Adjustment disorder	\$10,673,540
Oppositional defiant disorder	\$7,329,244

Source: Medicaid Encounter data



# Behavioral Health Collaborative

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- Origins date back to massive system disruption during transition to managed care in late 1990s and a Needs/Gaps study in 2002.
- The report summarized what many people who used behavioral health services (consumers) and their families already knew – that the behavioral health system too often:
  - provided insufficient access to evidence-based care;
  - delivered services through a confusing array of uncoordinated public and private agencies and providers; and
  - focuses on “managing” people’s problems rather than helping them adapt and lead productive lives.



# Behavioral Health Collaborative

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- In 2004, the Legislature created an Interagency Behavioral Health Purchasing Collaborative (Collaborative), consisting of 16 agencies, to develop and coordinate a single statewide behavioral health care system.
- Intent was to form a virtual department, with participating agencies continuing to house programs that would be all contracted through a single contractor. The Collaborative staff activities would be managed by a BH Collaborative CEO.



# Behavioral Health Collaborative Key Responsibilities

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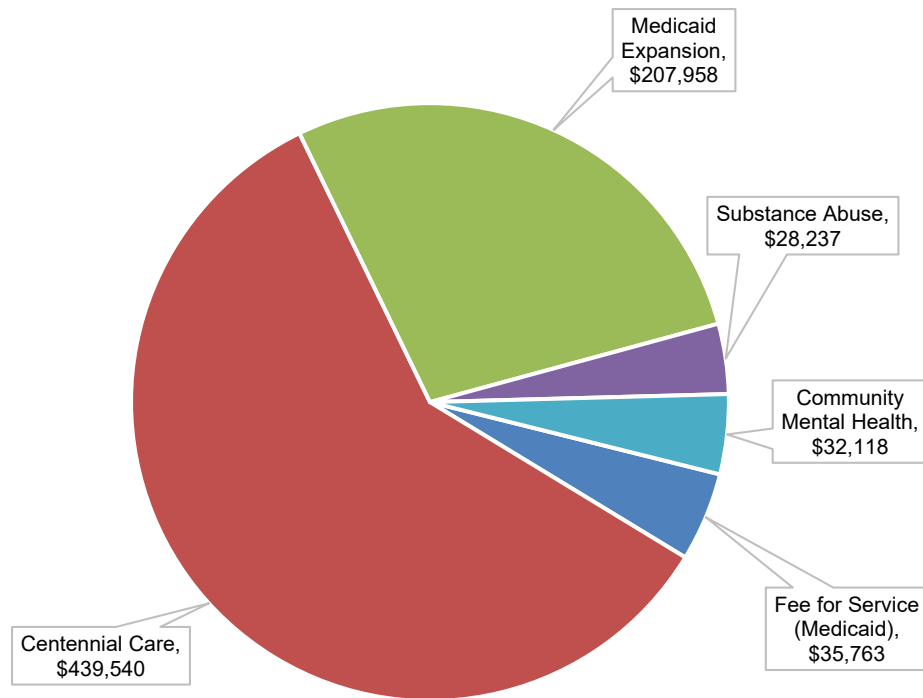
1. Conduct an ongoing needs and gaps analysis and develop a master plan for behavioral health services.
2. Contract for service delivery and set system standards, in rule, for things such as service standards, access and availability of services, performance measures, and credentialing of providers.
3. Submit a separate budget request to LFC/DFA for all state administered behavioral health services across agencies.
4. Submit quarterly performance reports and an annual report on progress implementing the master plan, performance, and information on spending and services delivered.



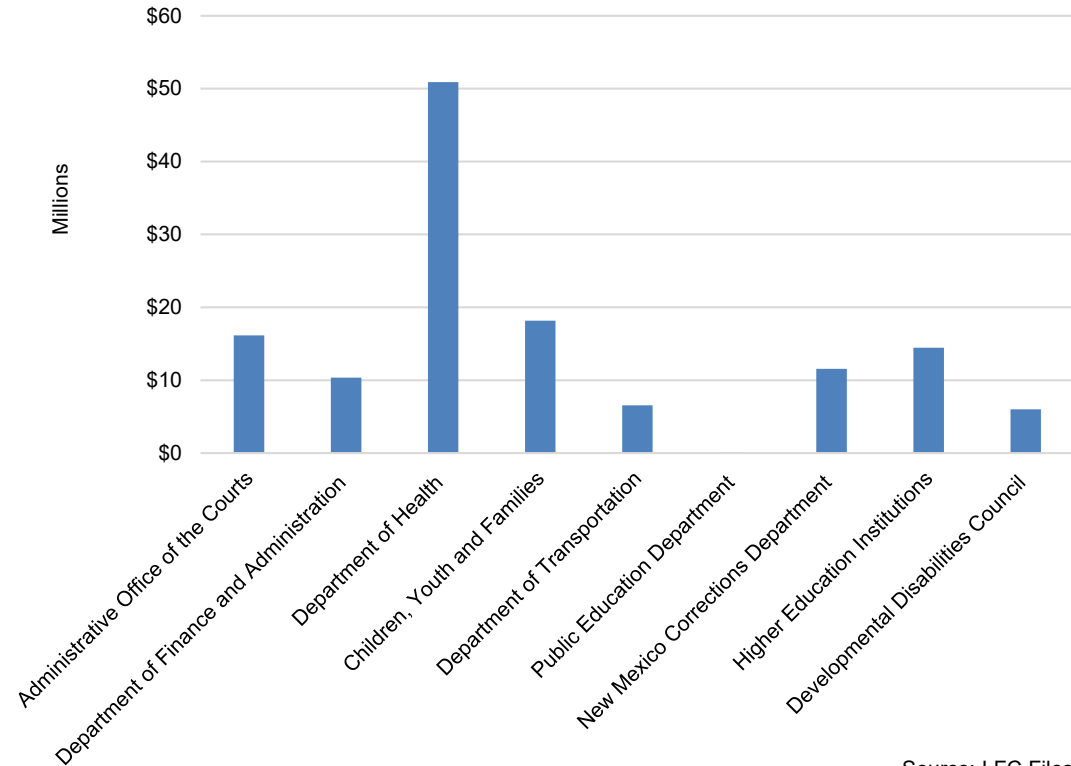


# Behavioral Health Collaborative Agencies Spent Almost \$878 million in FY21; \$945 million in FY22; FY24 request = \$1 billion

**FY21 HSD Behavioral Health Spending Breakout  
(Thousands)**

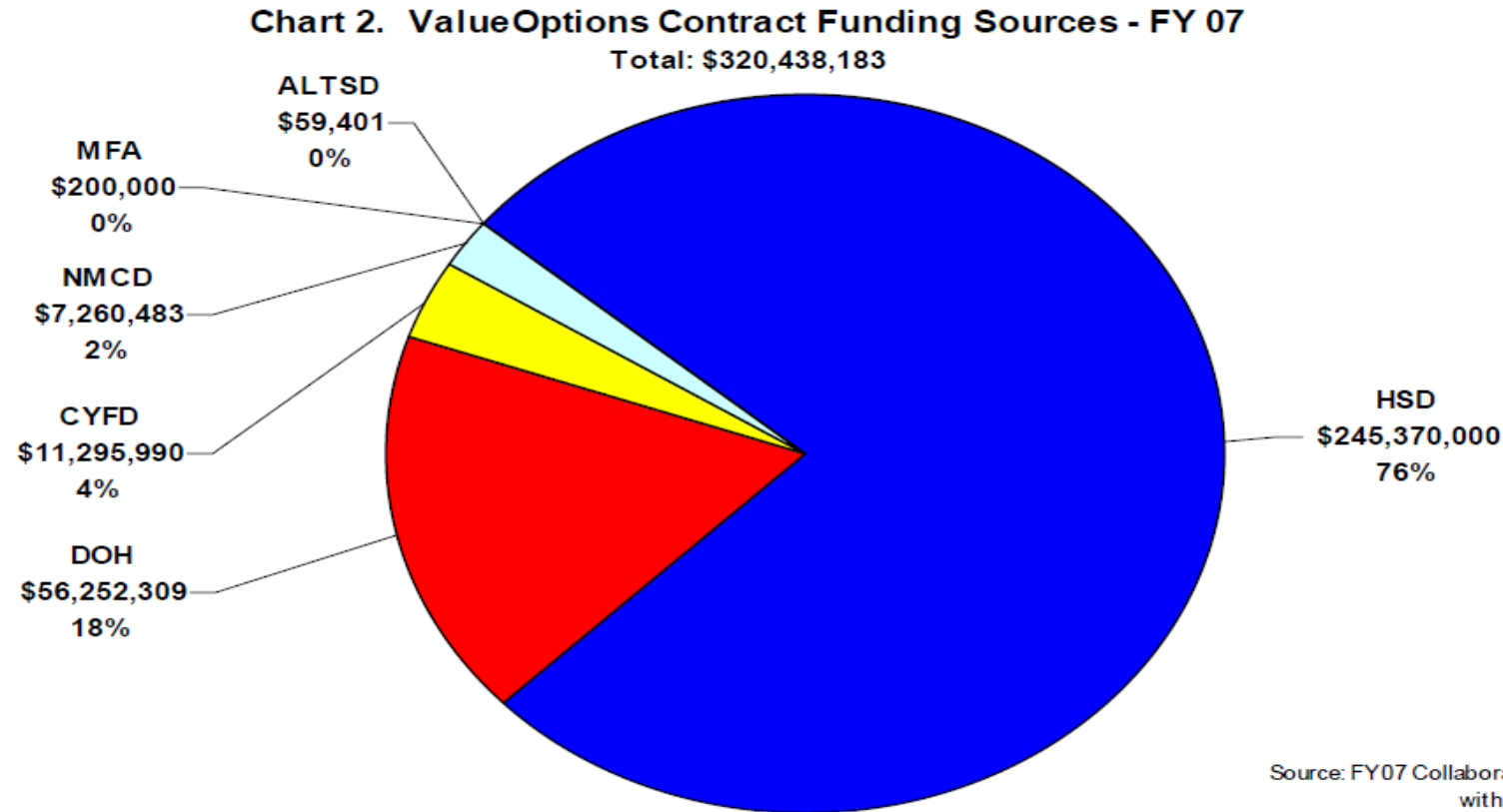


**FY21 Non-HSD Behavioral Health Collaborative Agency Spending**

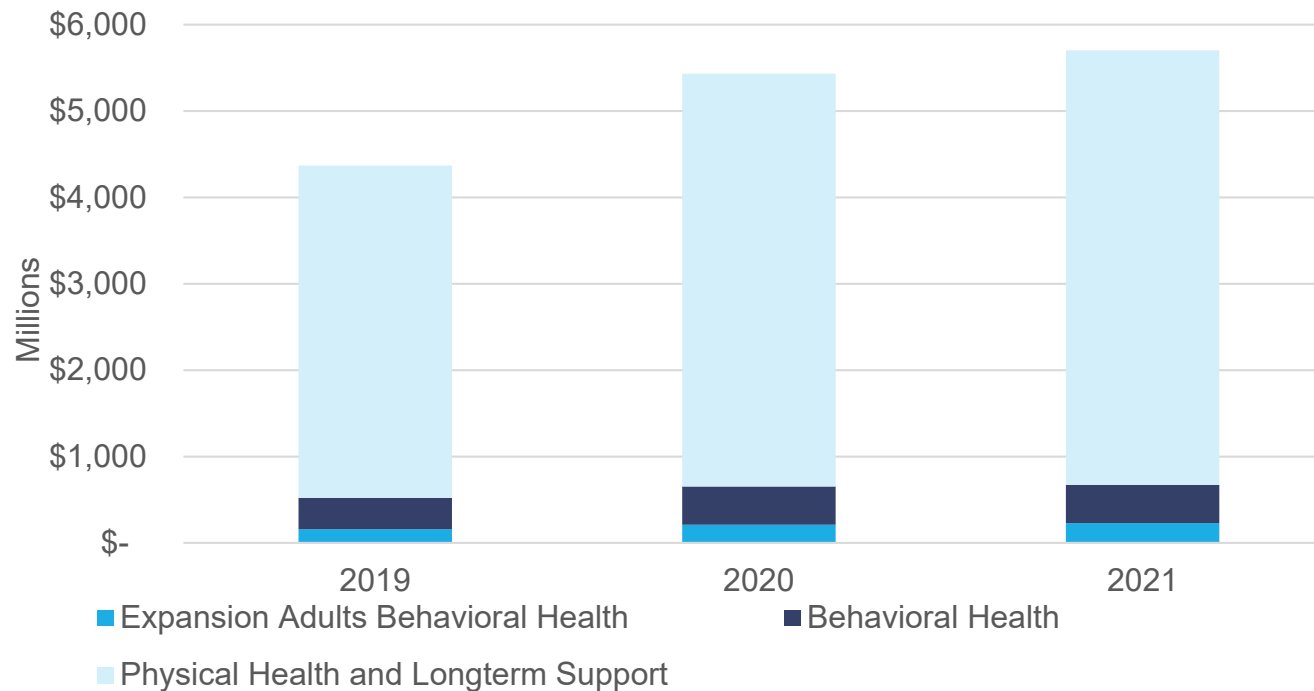


Source: LFC Files

# By Comparison – BHC Agencies Allocated about \$320 million in FY07



# Medicaid Managed Care: Behavioral Health v. Other Programs Reported Spending



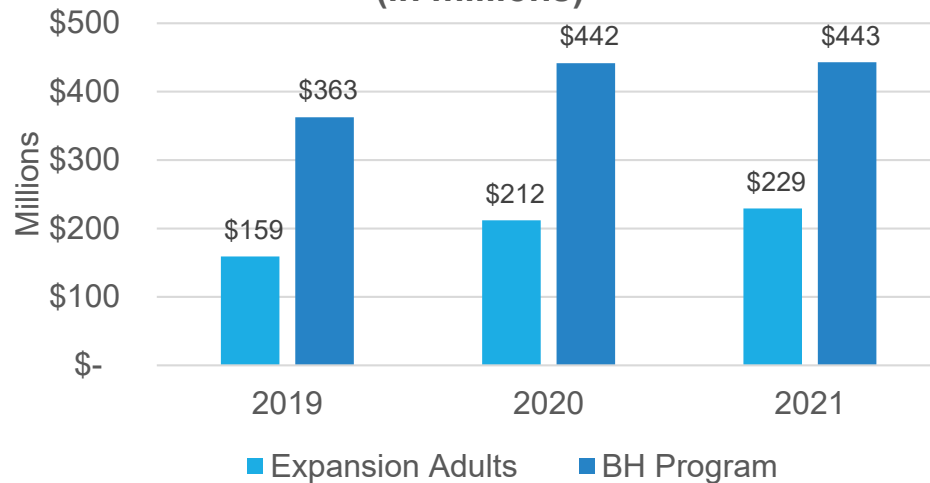
Source: LFC analysis of MCO quarterly reports

Behavioral Health spending reflects 12% of all managed care spending and has grown from \$521 million in 2019 to \$672 million in 2021.



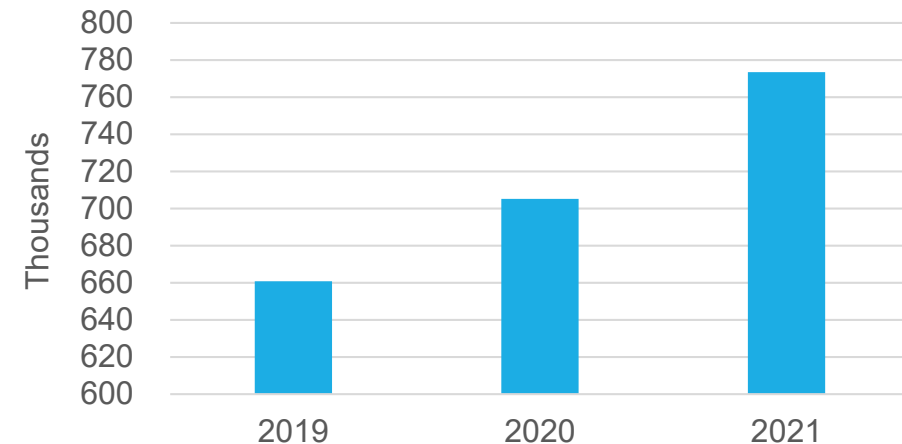
# Managed Care Behavioral Health Spending Growth

**Spending Growth: BH Program and Expansion Adults BH  
2019-2021  
(in millions)**



Source: LFC analysis of MCO Financial Reports

**Medicaid Managed Care Enrollment  
(in thousands)**

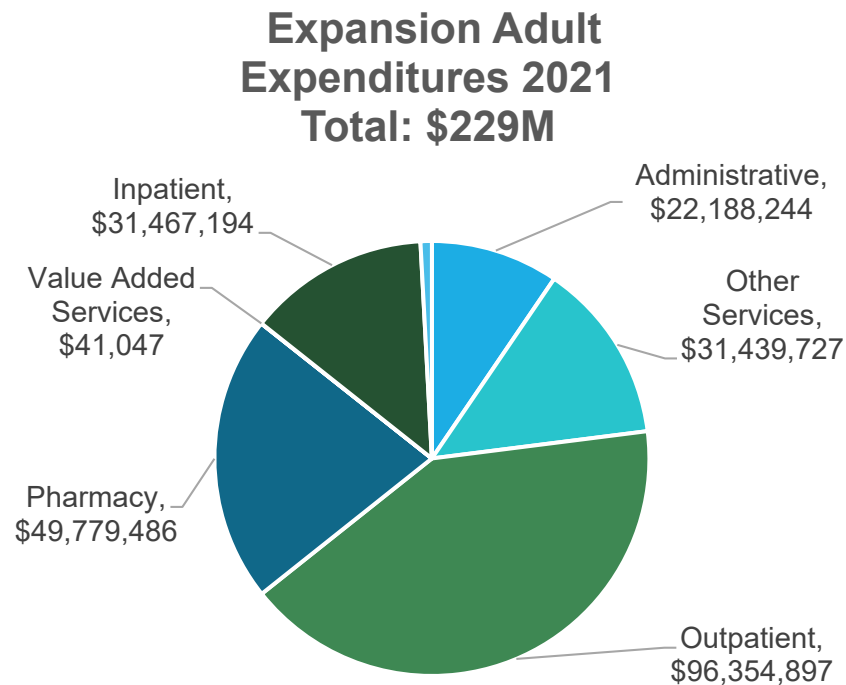


Source: LFC analysis of June MER reports

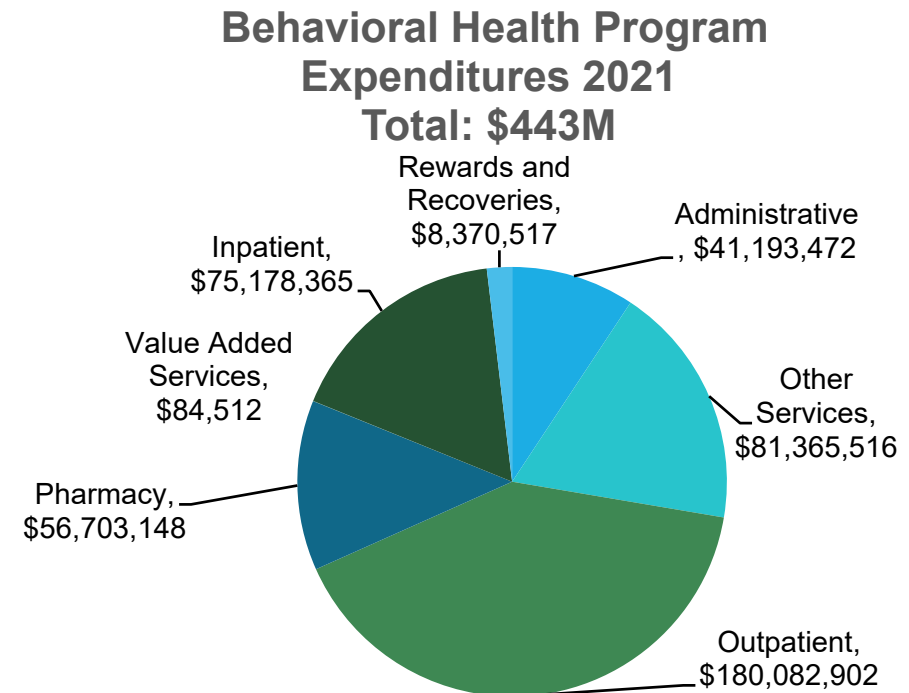
Between 2019 and 2021, spending for the behavioral health program has grown by 22%, while spending on behavioral health for expansion adults has grown 44%. When taken together, all behavioral health spending grew by 29%. During the same period of time, enrollment in managed care grew 17%.



# Medicaid Behavioral Health Spending



Source: LFC analysis of MCO Financial Reports



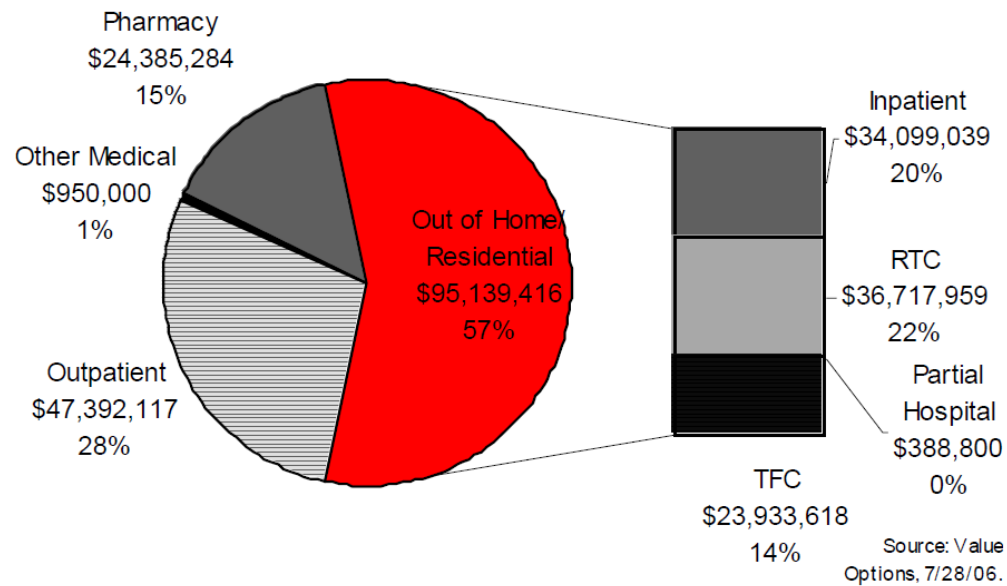
Source: LFC analysis of MCO Financial Reports

Outpatient services is the largest spending category in both the Behavioral Health Program (41%) and the Expansion Adults BH Program (42%)

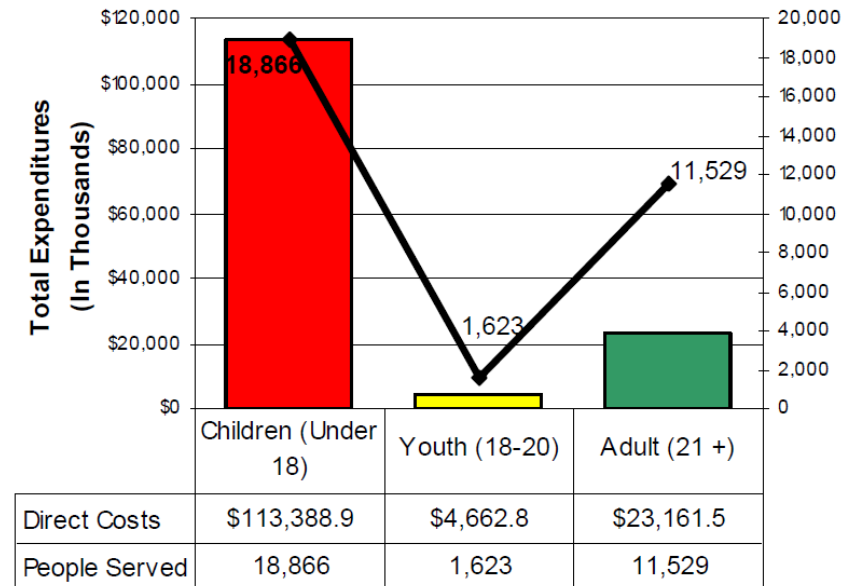


# Prior Examples of Behavioral Health Spending

**Chart 5: Medicaid Managed Care  
Direct Behavioral Health Costs - FY06**



**Chart 6: Medicaid Managed Care  
Direct Behavioral Health Services Costs  
FY06**



Source:  
Collaborative



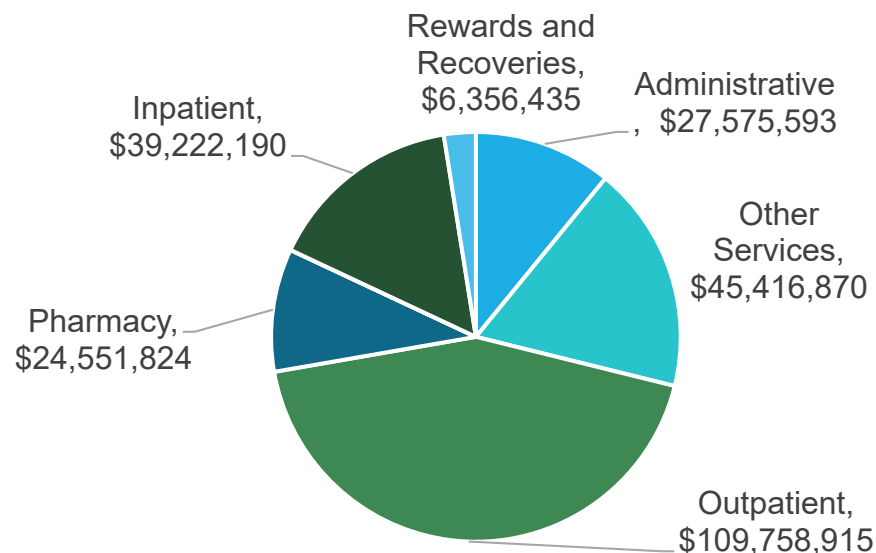
# Children's Behavioral Health System

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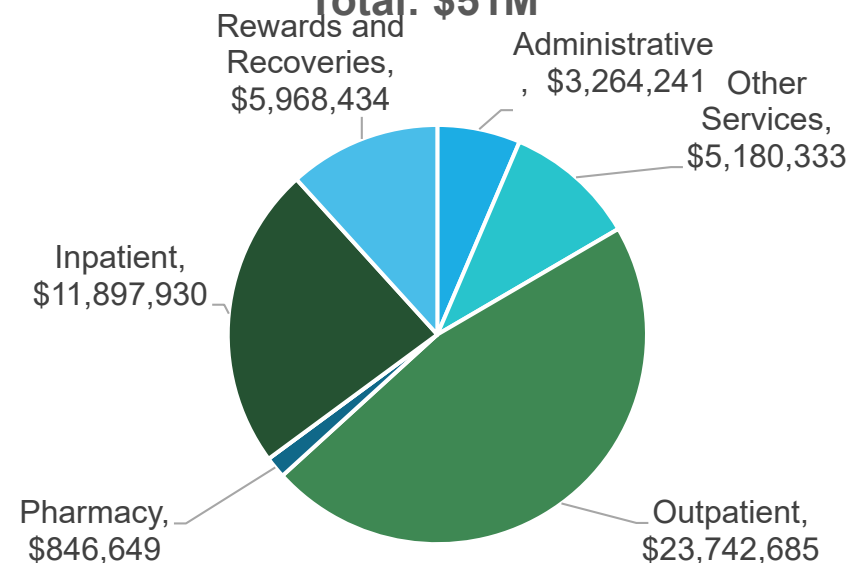
- System operates on a continuum of care ranging from prevention services, to community based interventions (counseling, in-home services), to out-of-home placement (acute psychiatric hospital, residential treatment, treatment foster care)
- Historically the system is heavily weighted towards costly, traumatic, and often ineffective out-of-home placements.
- Community based services were heavily weighted towards paraprofessionals delivering most care, without sufficient evidence-based in-home care with licensed professionals.

# Behavioral Health Program Spending: CYFD (Kids) and TANF (Adults/Kids) Populations

**BH Program: TANF Population Expenditures 2021**  
**Total: \$253M**



**Behavioral Health: CYFD Population Spending 2021**  
**Total: \$51M**



Source: LFC analysis of MCO Financial Reports

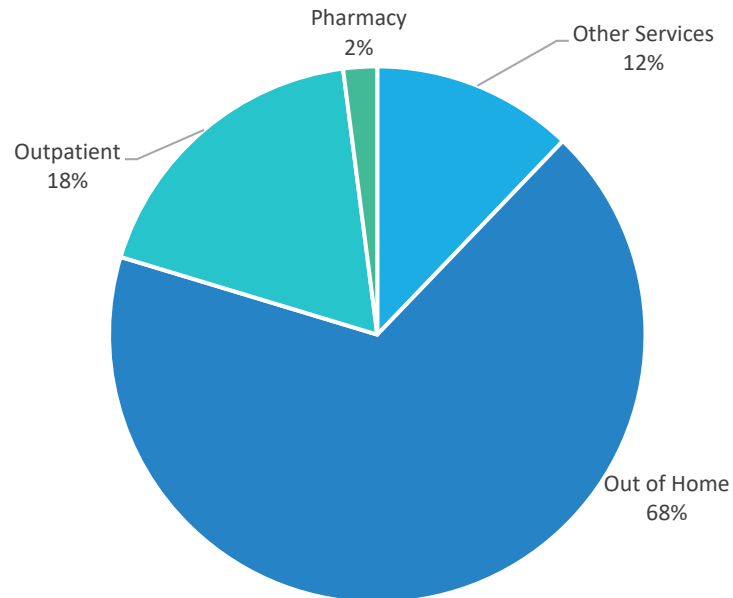
Source: LFC analysis of MCO Financial Reports





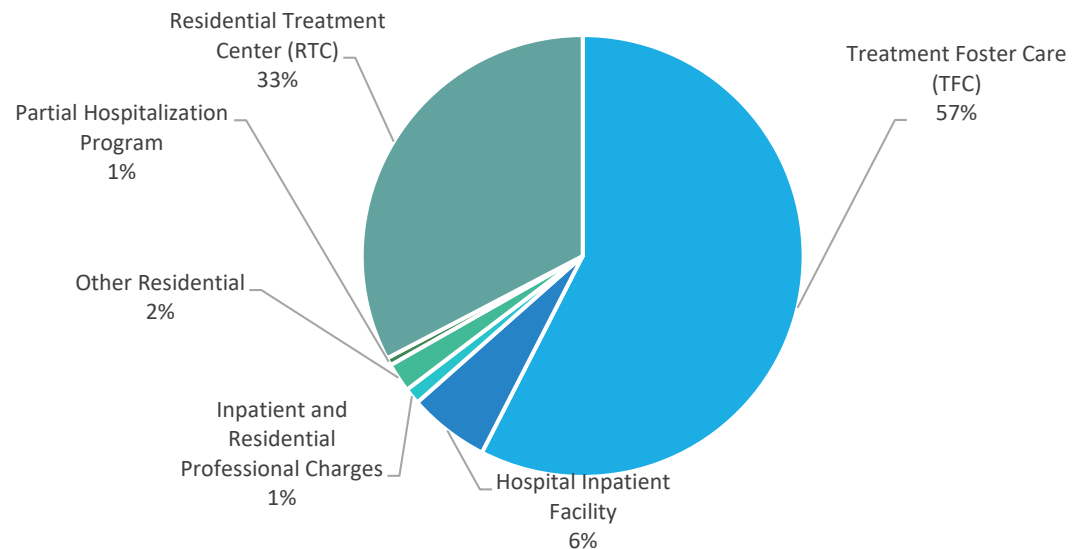
# Medicaid MCO BH Spending on CYFD Clients

2021 CYFD Overall MCO Behavioral Health Spending  
(\$41.5 million, 72,403 member months)



Source: LFC analysis of MCO quarterly reports

2021 CYFD Out of Home BH MCO Spending  
(\$28.0 million)



Source: LFC analysis of MCO quarterly reports

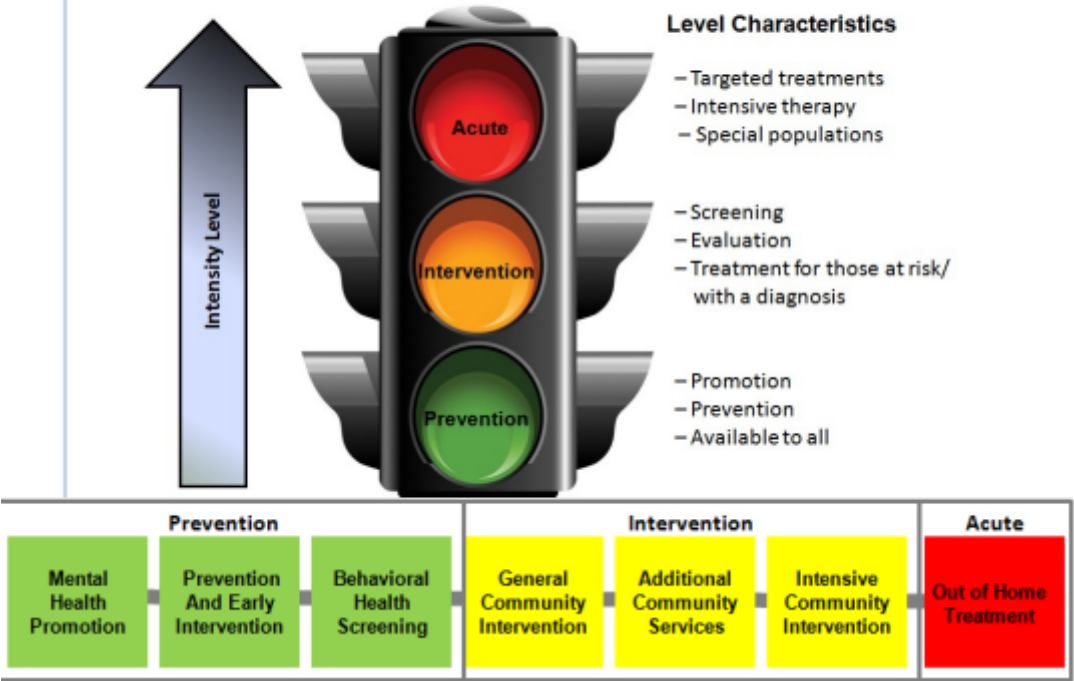
# Selected Children's BH New Mexico Results First Cost Benefit Analysis

Program Name

Return on Investment  
per dollar spent

## BEHAVIORAL HEALTH SERVICES FOR CHILDREN

Figure 6. Levels to Intervene



Promotion and Prevention	Nurse Family Partnership	\$10
	Other Standards Based Home Visiting Programs	\$1
Intervention	Cognitive Behavioral Therapy (CBT) for Child Trauma	\$8
	Group CBT for Child Depression	\$24
	Group CBT for Anxious Children	\$10
	Eye Movement Desensitization and Reprocessing for Child Trauma	\$9
	Multisystemic Therapy for Youth with Serious Emotional Disturbance	\$2
	Brief Strategic Family Therapy	\$2
	Parent Child Interaction Therapy for Children with Disruptive Behavior	\$3
	Motivational Interviewing	\$29
	Seeking Safety	\$33
	Multisystemic Therapy for Juvenile Offenders	\$3
	Functional Family Therapy for Youth in State Institutions	\$11
	Functional Family Therapy for Youth on Probation	\$8
	Juvenile Drug Courts	\$5
Acute Intervention	Multidimensional Treatment Foster Care	\$2
	Relapse Prevention	\$4

Source: LFC

# Opportunities for Children's Behavioral Health System Enhancements

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## FUNDING FOR PROVIDER START UP COSTS TO EXPAND CHILDREN'S BEHAVIORAL HEALTH AND CHILD WELFARE SERVICES IN NEW MEXICO COMMUNITIES

- \$20 million appropriated to expand behavioral health and child welfare services.
- Fund services that could then bill Medicaid or Families First (CPS).
- Increased capacity could entail:
  - training costs for providers to be certified to deliver the evidence-based services. Often evidence-based programs have training program costs and other licensing fees.
  - paying salary and other costs of people who are being trained to implement the services (state is buying a trained and certified program and workers)
  - any fees for implementation monitoring (make providers are doing it correctly) and for performance monitoring/evaluation.

Multi-systemic therapy – History in NM and currently billable. Could expand to families involved in Child Protective Services through MST-CAN

Family Functional Therapy – CYFD clinicians could provide and bill where MST more difficult. Could also stand up private clinical providers, particularly rural areas.

Good Behavior Game – already successful in NM. Now \$60-\$1 ROI in LFC Result First cost benefit model.

Wraparound services – currently being deployed and LFC recommended building in Medicaid funding for services, but capacity to deliver those services needs support.

Clinical training in certain cognitive behavioral therapies

# Current Behavioral Health Collaborative Strategic Goals

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1. **Strengthen Behavioral Health Workforce**
2. **Develop Community-based mental health services for kids and families**
3. Effectively address substance use disorder
4. Address behavioral health needs of justice-involved individuals

• **Bold** – *The Collaborative presentation will focus on first two*

## Appendices: Additional MCO Behavioral Health Spending Detail

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# A. Expansion Adults: Outpatient Behavioral Health Spending

Outpatient Services	2019	2020	2021	% Change
Evaluations and Therapies	\$ 37,429,335	\$ 56,016,216	\$ 60,692,584	62%
Intensive Outpatient Program Services (IOP)	\$ 8,115,413	\$ 12,074,467	\$ 16,150,573	99%
Federally Qualified Health Centers (FQHC's)	\$ 13,641,969	\$ 9,999,365	\$ 9,533,709	-30%
Comprehensive Community Support Services (CCSS)	\$ 1,655,180	\$ 2,856,070	\$ 4,314,513	161%
Hospital Outpatient Facility	\$ 1,449,794	\$ 1,946,838	\$ 1,903,707	31%
Outpatient Hospital	\$ 698,714	\$ 685,540	\$ 1,273,377	82%
Assertive Community Treatment (ACT)	\$ 704,823	\$ 693,655	\$ 1,090,424	55%
Telehealth	\$ 509,473	\$ 1,407,775	\$ 751,570	48%
Psychosocial Rehab Services for Adults	\$ 841,442	\$ 696,790	\$ 630,593	-25%
Rural Health Clinics	\$ 101,424	\$ 74,060	\$ 13,359	-87%
School-Based Health Center Services	\$ 1,070	\$ 848	\$ 485	-55%
Adaptive Skills Building (ABS)	\$ -	\$ -	\$ -	0%
Applied Behavior Analysis (ABA)	\$ 18,877	\$ 16,544	\$ -	-100%
BH Day Treatment < 21	\$ -	\$ -	\$ -	0%
Foster Care Therapeutic (TFC I & II) < 21	\$ 11,694	\$ -	\$ -	-100%
Functional Family Therapy (FFT)	\$ -	\$ -	\$ -	0%
Multi-Systemic Therapy (MST)	\$ -	\$ -	\$ -	0%
Skills Training & Development	\$ -	\$ -	\$ -	0%
<b>Total</b>	<b>\$ 65,179,207</b>	<b>\$ 86,468,168</b>	<b>\$ 96,354,897</b>	<b>48%</b>

Source: LFC analysis of MCO financial reports



# B. Behavioral Health Program: Outpatient Behavioral Health Spending

Outpatient Services	2019	2020	2021	% Change
Evaluations and Therapies (Non-Hospital Outpatient)	\$62,506,281	\$83,197,690	\$91,468,341	46%
Foster Care Therapeutic (TFC I & II) < 21	\$19,459,405	\$21,053,829	\$22,129,358	14%
Federally Qualified Health Centers (FQHC's)	\$22,867,717	\$14,143,837	\$15,170,600	-34%
Comprehensive Community Support Services (CCSS)	\$5,923,829	\$10,079,945	\$12,869,600	117%
Applied Behavior Analysis (ABA)	\$5,538,603	\$8,980,380	\$10,832,909	96%
Multi-Systemic Therapy (MST)	\$7,352,371	\$6,728,480	\$7,461,099	1%
Intensive Outpatient Program Services (IOP)	\$2,456,801	\$4,729,771	\$6,611,567	169%
Assertive Community Treatment (ACT)	\$3,407,250	\$3,397,316	\$4,187,064	23%
Psychosocial Rehab Services for Adults =>18	\$3,318,460	\$2,482,269	\$2,428,453	-27%
Outpatient Hospital (Evaluations, Therapies, and BH Physical Evaluations)	\$1,455,349	\$1,074,074	\$1,954,643	34%
Hospital Outpatient Facility (BH Treatment Services)	\$1,350,823	\$1,705,077	\$1,573,588	16%
Telehealth	\$752,762	\$2,649,632	\$1,387,580	84%
Respite Services	\$1,437,044	\$1,141,851	\$826,261	-43%
Skills Training & Development (Behavioral Management Services) < 21	\$1,295,941	\$1,248,949	\$659,734	-49%
School-Based Health Center Services	\$29,099	\$360,408	\$318,039	993%
BH Day Treatment < 21	\$792,814	\$281,039	\$152,869	-81%
Rural Health Clinics	\$86,955	\$92,211	\$36,289	-58%
Functional Family Therapy (FFT) (Non-Hospital Outpatient)	\$23,176	\$29,157	\$12,783	-45%
Recovery Services	\$1,158	\$233	\$1,977	71%
Family Support Services	\$3,316	\$21,113	\$149	-96%
Adaptive Skills Building (ABS)	\$0	\$0	\$0	0%
<b>Grand Total</b>	<b>\$140,059,156</b>	<b>\$163,397,260</b>	<b>\$180,082,902</b>	<b>29%</b>

Source: LFC analysis of MCO Financial Reports



# C. Inpatient Spending: Expansion Adults and Behavioral Health Program

Expansion Adults: Inpatient Behavioral Health Spending				
Inpatient Expenditures	2019	2020	2021	%Change
Hospital Inpatient Facility (Psychiatric Hospitalization Services)	\$13,998,342	\$15,766,863	\$14,968,816	7%
Inpatient and Residential Professional Charges	\$2,802,396	\$3,100,858	\$2,972,249	6%
Other Residential	\$5,775,402	\$8,367,252	\$13,410,026	132%
Partial Hospitalization Program (BH Treatment Services)	\$51,480	\$120,253	\$116,103	126%
Residential Treatment Center, ARTC and Group Homes < 21	\$99,888	\$49,594	\$0	-100%
<b>Grand Total</b>	<b>\$22,727,510</b>	<b>\$27,404,820</b>	<b>\$31,467,194</b>	<b>38%</b>

Source: LFC analysis of MCO financial reports

Behavioral Health Program: Inpatient Behavioral Health Spending				
Inpatient Expenditures	2019	2020	2021	% Change
Residential Treatment Center, ARTC and Group Homes < 21	\$34,552,305	\$38,257,204	\$33,134,235	-4%
Hospital Inpatient Facility (Psychiatric Hospitalization Services)	\$20,697,879	\$21,354,441	\$22,992,727	11%
Other Residential	\$6,975,946	\$8,433,385	\$12,388,043	78%
Inpatient and Residential Professional Charges	\$3,760,881	\$3,880,448	\$4,067,835	8%
Partial Hospitalization Program (BH Treatment Services)	\$72,955	\$2,182,513	\$2,595,525	3458%
<b>Grand Total</b>	<b>\$66,059,965</b>	<b>\$74,107,991</b>	<b>\$75,178,365</b>	<b>14%</b>

Source: LFC analysis of MCO financial reports





## D. Other Services: Expansion Adults and Behavioral Health Program

Expansion Adults: Other Services Spending				
Other Services Expenditures	2019	2020	2021	% Change
Other Professional BH Services	\$9,446,837	\$15,611,792	\$17,436,376	85%
Care Coordination - Medical	\$1,514,951	\$1,833,334	\$7,742,793	411%
IHS, Tribal 638 & I/T/Us - OMB Rate	\$2,284,861	\$2,264,217	\$3,872,567	69%
IHS, Tribal 638 & I/T/Us - NOT Subject to OMB Codes/Rates	\$1,374,952	\$1,326,019	\$1,757,648	28%
Core Service Agencies (CSA) - Other Services	\$987,927	\$1,319,057	\$589,293	-40%
Testing (Non-Hospital Outpatient)	\$50,066	\$33,727	\$41,051	-18%
Pre-Tenancy/Housing Support	\$0	\$1	\$1	
<b>Grand Total</b>	<b>\$ 15,659,594</b>	<b>\$ 22,388,147</b>	<b>\$ 31,439,727</b>	<b>101%</b>

Source: LFC analysis of MCO Financial Reports

Behavioral Health Program: Other Services Spending				
Other Services Expenditures	2019	2020	2021	% Change
Other Professional BH Services	\$24,184,522	\$46,103,448	\$51,947,762	115%
Care Coordination - Medical	\$20,071,650	\$22,544,797	\$17,677,115	-12%
IHS, Tribal 638 & I/T/Us - OMB Rate	\$3,907,411	\$3,362,814	\$5,514,255	41%
Core Service Agencies (CSA) - Other Services	\$3,419,458	\$4,128,476	\$3,292,596	-4%
IHS, Tribal 638 & I/T/Us - NOT Subject to OMB Codes/Rates	\$2,259,397	\$2,359,613	\$2,371,836	5%
Testing (Non-Hospital Outpatient)	\$500,949	\$517,548	\$561,950	12%
Pre-Tenancy/Housing Support	\$1	\$2	\$1	77%
<b>Grand Total</b>	<b>\$ 54,343,387</b>	<b>\$ 79,016,697</b>	<b>\$ 81,365,516</b>	<b>50%</b>

Source: LFC analysis of MCO financial reports





For More Information

- <https://www.nmlegis.gov/Entity/LFC/Default>
  - Session Publications – Budgets
    - Performance Report Cards
    - Program Evaluations

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