F I S C A L I M P A C T R E P O R T

SPONSOR Cook **ORIGINAL DATE** 02/21/11 **LAST UPDATED** 03/05/11 **HB** 432/aHAFC/aHFL#1

SHORT TITLE Behavioral Health Purchasing Pilot Project **SB**

ANALYST Earnest

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
IT Costs	$0.0	$200.0	$0.0	$200.0	Nonrecurring	General Fund and Federal Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)
Department of Health (DOH)
Children, Youth and Families Department (CYFD)

SUMMARY

Synopsis of House Floor Amendment #1

House Floor Amendment #1 strikes HAFC amendments 1, 3, 4, 5, 6, 7, and 9, which specified the counties in which the new behavioral health provider entity shall operate. The amendment strikes mandatory implementation language to allow the Behavioral Health Purchasing Collaborative to "consider implementing" the new system and requires the collaborative to coordinate with the new entity "as the interagency behavioral health purchasing collaborative deems necessary."

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment delays implementation of the pilot project from January 1, 2012, to July 1, 2013. The amendment further specifies the counties that will participate in the pilot project, as follows: Grant, Hidalgo, Luna, Catron, Doña Ana, Sierra, Lincoln, Otero, Chaves, Cibola, Socorro, Torrance, Valencia, San Juan and McKinley. The Behavioral Health Purchasing Collaborative may select a maximum of two additional counties for participation in the pilot project. The amendment requires a readiness

review by November 1, 2012 instead of 2011.

According to HSD, the "pilot" project, as defined by the HAFC amendment, will provide services to more than 40 percent of the current enrollees of the Medicaid behavioral health managed care program, extending this well-beyond a "pilot" project.

According to HSD:

- The proposed pilot would include 42.2% of all the enrollees in Medicaid's Behavioral Health managed care program. CMS will not approve this as a pilot project, given that 42.2% of the enrollees would be in the pilot. Of Native American Medicaid enrollees in the Behavioral Health managed care, the proposed pilot would include 62.2% of all Native American enrollees.
- HB432/a specifies the counties that would be included in the proposed pilot project. The counties listed are found in Health and Human Services Departments Region 1 (San Juan, McKinley, Cibola, and McKinley); Region 4 (Chaves); and Region 5 (Catron, Dona Ana, Grant, Hidalgo, Lincoln, Otero, Sierra, and Socorro).
- Of the thirteen geographic behavioral health Local Collaboratives (LC), the proposed pilot would include 5 LCs (LCs 3, 6, 7, 11, 12), two of the three counties in LC13 (excluding Sandoval County) and one of the three counties in LC5 (excluding Lea and Eddy Counties).

Synopsis of Original Bill

House Bill 432 (HB432) requires the Interagency Behavioral Health Purchasing Collaborative (the Collaborative) to implement a pilot project that provides for a network of behavioral health providers and another entity to establish a behavioral health entity in which the network of providers has at least fifty-one percent control of the behavioral health entity. The Collaborative is further required to pilot a project design that establishes a behavioral health entity that meets criteria for licensure as a risk-bearing entity by the insurance division of the public regulation commission. The pilot behavioral health entity is to submit a contract for at least two years to provide behavioral health services and to manage care as a regional behavioral health entity for Collaborative approval.

The Collaborative is to conduct a readiness review of the established behavioral health entity by November 1, 2011, to ensure that the entity could fully implement the pilot project and successfully deliver behavioral health services by January 1, 2012. The Collaborative is to amend its existing contract with the current statewide entity to provide for exclusive implementation of the pilot project in designated areas of the state. The Collaborative is to seek federal approval of a state plan amendment or Medicaid waiver to carry out the provisions of HB432.

FISCAL IMPLICATIONS

HSD reports that consideration of the pilot project as described in HB432, as twice amended, may require expenditure on consulting contracts to determine actuarial costs and assist with possible implementation issues. These costs are estimated at approximately $200 thousand.

SIGNIFICANT ISSUES

The bill sets narrow criteria for selection of a contractor in statute that may undermine the purposes of the Procurement Code. The Interagency Behavioral Health Purchasing Collaborative already has the authority to contract with multiple entities, potentially making the specificity of this bill unnecessary. In addition, depending on the size and geographical distribution of the population to be covered by the new entity, such a pilot project may require significant changes to and renegotiation of the current contract with OptumHealth NM.

The 2004 legislation creating the Interagency Behavioral Health Purchasing Collaborative was designed to develop an efficient, single behavioral health service delivery system to the citizens of New Mexico. The program was designed to eliminate fragmentation in the behavioral health system and bring together, or "braid," the various funding streams – Medicaid, state general fund, other federal funds, etc – for more seamless provision of services.

The Collaborative first chose ValueOptions NM and then, after four years, selected OptumHealth NM, a subsidiary of United Healthcare, as the statewide entity. Experience with both companies demonstrated problems with claims payment systems. This was due in part to the unique "braided" funding requirement in the vision of the Collaborative. To what degree a third entity could perform this requirement more efficiently is unknown. Any contract should include a strong testing requirement for such a system.

According to HSD, "the selection of a single statewide entity (SE) is one of the steps taken by the Collaborative to achieve a (unified system). Prior to the first SE contract, the same family may have had to visit multiple providers and complete duplicative forms to access services. The same community based provider may have had seven contracts with multiple state agencies providing essentially the same services, many times to the same clients. The ongoing, long-lasting and profound transformation of New Mexico's behavioral health system includes multiple strategies that support consumer-focused recovery and family resiliency."

The Collaborative is a year and a half into this four-year contract with OptumHealthNM. HSD reports that preparation for a new Request for Proposals for one or more entities would begin in 2011 for issuance in 2012.

According to HSD:

> The pilot anticipated by HB432 would require the selected regional behavioral health entity to implement a new contracting and credentialing process. Adding the requirements of a second behavioral health network would create an additional administrative burden for providers who would need to contract with both the pilot network and the SE. In the early years of managed care, providers complained to CMS because having to contract with several organizations, each with its own requirements, meant they were often spending more time on administrative duties than on direct practice.
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> The Collaborative continues to aggressively monitor the current SE while planning for the consequences of budget realities and changes in Medicaid and healthcare more generally. A current opportunity that has a significant behavioral health impact focuses on the management of chronic care through health homes. This process gives the Collaborative an opportunity to ensure that behavioral health services continue to develop

in a coordinated and integrated way that avoids a return to the fragmented delivery of services in the past.

Other states do operate such a regional and "exclusive" managed care contracts. With a small population, New Mexico has tended to favor implementation of statewide Medicaid health care contracts.

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