

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO <i>Myers</i>	DATE <i>4-13-09</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>100571</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Ms. Fortner</i> 	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
	<input type="checkbox"/> FOIA DATE DUE _____
	<input checked="" type="checkbox"/> Necessary Action

APPROVALS <small>(Only when prepared for director's signature)</small>	APPROVE	* DISAPPROVE <small>(Note reason for disapproval and return to preparer.)</small>	COMMENT
1.			
2.			
3.			
4.			



South Carolina
Department of
Mental Health

RECEIVED

2414 Bull Street/P.O. Box 485
Columbia, S.C. 29202
Information: (803) 898-8581

APR 10 2009

MEDICAL SERVICES

John H. Magill
State Director of Mental Health

MISSION STATEMENT

DHHS

To support the recovery of people with mental illnesses.

April 8, 2009

Ms. Emma Forkner, Director
SC Department of Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Dear Ms. Forkner,

Recently, the staff at the South Carolina Department of Mental Health (the "Department") prepared a briefing document outlining the issues involved in restoring Medicaid payments for patients 65 and older in Institutions for Mental Diseases (IMD) facilities. At this time, we do not know why the payments, which are allowed by the Centers for Medicare and Medicaid Services (CMS), were stopped in 1995. At least eighty percent of the states allow this payment. Given the nature of our budget situation, the Department respectfully requests a reconsideration of this decision.

South Carolina currently has a very favorable federal share in our Medicaid payments. The restoration of payments to the Department for patients 65 and older hospitalized in our facilities who meet the medical necessity criteria would allow us to restore a small portion of the budget reductions that the Department has experienced this year.

Departmental staff members have had a preliminary meeting with Sam Waldrep and were asked to provide further information on the likely cost to the Medicaid program. I believe that the attached document gives a reasonable estimate of the costs and issues involved in amending the State Plan to provide for coverage of those 65 and older.

The Department would be pleased to meet again and provide any further information that you or your staff might find useful. I thank you for your consideration of the request to restore Medicaid funding for patients 65 and older that are hospitalized in the Department's IMD facilities.

Best regards,

John H. Magill, State Director
South Carolina Department of Mental Health

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Department of Health & Human Services
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Attachment

cc: Felicity Myers
Sam Waldrep
Brenda Hart

MENTAL HEALTH COMMISSION:

Allison Y. Evans, PsyD, Chair, Hartsville
Joan Moore, Vice Chair, Goose Creek

Jane B. Jones, Easley
Harold E. Cheatham, Ph.D., Clemson

J. Buxton Terry, Columbia
H. Lloyd Howard, Landrum

Medicaid Payments for Patients 65 and Older in South Carolina IMD Facilities

History

In 1995, a decision was made to disallow Medicaid (MA) payment for psychiatric care for those patients 65 and older in IMD facilities in South Carolina. To date, we have been unable to ascertain the reason for this change. The effect of this change, however, ensured that the people of South Carolina would pay one hundred percent of the cost of care rather than including the federal contribution of seventy percent of the cost of this care. It should be noted that the population of those 65 and older in IMD facilities was significantly higher in 1995. Improved treatment and better placement options has lowered the number of people in IMD facilities rather dramatically. For those 65 and older, the reduction has been even more dramatic.

Concurrently, there has also been an increase in the regulations by CMS to limit Medicaid payments to those patients receiving active treatment. In 1995, as compared to today, a larger percentage of our treatment for those 65 and older was custodial. While we still have some patients 65 and older in our state facilities, who are receiving custodial care due to placement or behavioral problems, they constitute a much smaller percentage than they did in 1995. They would not be in certified beds and even if the Medicaid payments were restored they would not be eligible for payment.

In a 2007 SAMSHA publication based on 2004 statistics, forty states and the District of Columbia allowed the payment of Medicaid for patients 65 and older in IMD facilities. The only other group for which Medicaid will allow payments while in IMD facilities, are children under the age of twenty one. General hospitals are not considered IMD facilities since the percentage of beds devoted to psychiatry is below the threshold that would make them an IMD. However, private psychiatric facilities are considered IMD facilities.

Fiscal Impact of Restoring Medicaid Payments for Patients 65 and older

As mentioned in the previous section, the population in the Department's facilities has decreased significantly, especially in those 65 and older. For purposes of estimating the Medicaid payments to the Department, if the State Plan were to be amended, we reviewed all patients 65 and older admitted to Bryan Psychiatric Hospital and Harris Hospital, the two facilities in the State that have certified hospital beds and admit patients 65 and older. We reviewed all patients 65 and older admitted between 11/01/07 and 10/31/08. First, we eliminated those patient days that should have been or were paid by Medicare. Then, we eliminated all the days that we estimated the patient was not in active treatment. Lastly, we eliminated those patients who had resources that would make them ineligible for Medicaid. From a total of 7,170 days for all patients 65 and older, it was our estimate that 2,764 days may be eligible for Medicaid. We utilized the reimbursement rate of \$475 per day, which is in the range for recent MA payments for those under 21. This led to our estimate of \$1,312,900 being the potential payment, assuming all days were approved and all of the patients we thought were eligible for MA were in fact eligible. In other words, our estimate may be slightly inflated.

We estimate that a maximum of 2.5% of the patients 65 and older served in the Department's facilities would be eligible for Medicaid payments. Data indicates that the average of 6.7% (605) of the number of all encounters (8,900) in four private IMDs (Carolina Centers for Behavioral Health, Palmetto Lowcountry Behavioral Health, Springbrook Behavioral Healthcare System, and Three Rivers Behavioral Health) are for patients 65 and older. Even if we make the assumption that the patients in the private and public facilities are comparable, about 15 encounters per year in these private IMDs would be eligible for Medicaid payment (2.5% of 605 encounters). These four private facilities represent around 80% of the private beds in the State.

This change to the State Plan would not affect general hospitals that have inpatient psychiatric facilities. Private psychiatric facilities would potentially be able to bill MA for these services. If we make the assumption that most of the patients who need inpatient services are receiving them, then some of the Department's patients might gain admission to a private facility rather than a Departmental facility. This would not significantly increase the cost of MA to the State. It is difficult to imagine that numerous patients with MA would be admitted to private hospitals and constitute a new group of patients that would not normally be treated in an IMD facility. It is our expectation that this proposed change might result in some minor shifting of MA payments to private facilities, but would not create a demand for treatment by the 65 and older group. However, the final cost to the State to serve clients in private IMDs is ultimately dependent on certain factors that can not be predicted with certainty (e.g. the number of patients 65 and older that would become eligible for Medicaid, the number of days that would meet Medicaid medical necessity criteria, the likelihood that private IMDs would seek to "recruit" a new cohort of 65 and older patients if Medicaid reimbursement becomes available and other factors that have not as yet been considered).

Conclusion

The Department of Mental Health is requesting the restoration of MA payments for those patients 65 and older, who are in an IMD facility. About seventy percent of the MA payments would come from the federal share of the cost of MA. This represents additional funds to the Department. It appears that any direct cost to the State would be minimal.



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