SENATE BILL REPORT
E2SHB 2639

As Reported by Senate Committee On:
Human Services & Corrections, February 27, 2014

Title: An act relating to state purchasing of mental health and chemical dependency treatment services.

Brief Description: Concerning state purchasing of mental health and chemical dependency treatment services.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Moeller, Harris, Green, Cody, Morrell, Clibborn, Riccelli, Van De Wege, Bergquist and Freeman; by request of Governor Inslee).

Brief History: Passed House: 2/17/14, 66-31.
Committee Activity: Human Services & Corrections: 2/24/14, 2/27/14 [DPA, w/oRec].

SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

Majority Report: Do pass as amended.
Signed by Senators O'Ban, Chair; Pearson, Vice Chair; Darneille, Ranking Member; Hargrove.

Minority Report: That it be referred without recommendation.
Signed by Senator Padden.

Staff: Kevin Black (786-7747)

Background: The state of Washington purchases mental health and chemical dependency services for persons who meet eligibility criteria through a number of different agencies and entities. Among these are the Health Care Authority (HCA), Department of Social and Health Services (DSHS), county-administered regional support networks (RSNs), and tribal authorities.

The Adult Behavioral Health System Task Force is a Legislature-led taskforce, consisting of ten voting members, which is charged with examining reform of the adult behavioral health system. The taskforce must begin its work on May 1, 2014, and report its findings by January 1, 2015. The taskforce must make recommendations for reform concerning, but not limited to, the following subjects:

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- the means by which services are delivered for adults with mental illness and chemical dependency disorders;
- availability of effective means to promote recovery and prevent harm associated with mental illness;
- crisis services, including boarding of mental health patients outside of regularly certified treatment beds;
- best practices for cross-system collaboration between behavioral health treatment providers, medical care providers, long-term care service providers, entities providing health home services to high-risk Medicaid clients, law enforcement, and criminal justice agencies; and
- public safety practices involving persons with mental illness with forensic involvement.

In 2013 the Legislature adopted two bills, Second Substitute Senate Bill 5732 and Engrossed Substitute House Bill 1519, which require the state to establish outcome expectations and performance measures in its purchasing of medical, behavioral, long-term care, and social support services. HCA and DSHS must establish a steering committee to guide this change process. Reports describing this process are due to the Governor and Legislature in 2014 and 2016.

Also in 2013, with the support of a $1 million federal grant from the Center for Medicaid and Medicare Innovation, Washington created a document called the Washington State Health Care Innovation Plan (Innovation Plan). The Innovation Plan sets forth a framework for health system transformation, consisting of three strategies for achieving better health, better care, and lower costs, and seven foundational building blocks of reform. Some key recommendations relevant to the purchasing of behavioral health services include achieving greater integration of mental health, substance abuse, and primary care services by phased reductions in administrative and funding silos; restructuring Medicaid procurement into regional service areas; and requiring all health providers to collect and report common performance measures. The Innovation Plan forms the basis of an application for further awards of federal funding in the form of testing grants, to be awarded in 2014.

Summary of Bill (Recommended Amendments): The start date of the Behavioral Health Task Force is accelerated to April 1, 2014. Three voting members appointed by the Washington Association of Counties (WSAC) are added to the taskforce. The mission of the taskforce is expanded to include making recommendations related to the following: purchasing behavioral health services; the creation of common regional service areas for purchasing behavioral health and medical care services; the design of future behavioral health purchasing contracts; advice regarding future state interactions with the Center for Medicare and Medicaid Services (CMS) concerning behavioral health purchasing provided that CMS provides written guidance concerning its rationale for changing state purchasing; and whether a statewide Office of Behavioral Health Ombuds should be created. Additional reports from the taskforce are required in October of 2014.

If the establishment of regional services areas is recommended by the Adult Behavioral System Task Force, DSHS and HCA may establish common regional service areas for behavioral health and medical care purchasing by March 1, 2015. WSAC must be permitted to propose composition of regional service areas by September 1, 2014. Each regional

service area must contain a sufficient number of Medicaid lives to support full financial risk managed care contracting, include full counties which are contiguous with each other, and reflect natural referral patterns and shared service resources.

DSHS is given explicit authority to coordinate with HCA in order to contract for chemical dependency services through contracts for integrated behavioral health services or managed care.

DSHS may hold back a portion of the resources appropriated for RSNs for use in order to incentivize outcome-based performance, the integration of behavioral health and primary care services, and improved care coordination for individuals with complex care needs. DSHS may establish priorities for expenditures of appropriations for non-Medicaid services.

DSHS and HCA must ensure that their behavioral health purchasing contracts are consistent with existing legal provisions requiring establishment of quality standards, accountability for outcomes, and adequate provider networks. These contracts must require the implementation of provider reimbursement methods which incentivize improved performance, integration of behavioral health and primary care services, and improved care coordination for individuals with complex care needs.

DSHS must adopt financial solvency requirements for RSNs which allow DSHS to initiate contract action if it finds that an RSN's finances are inadequate. DSHS must establish mechanisms for monitoring RSN performance, including remedies for poor performance such as financial penalties or contract termination procedures.

In the event of a reprocurement for behavioral health services, DSHS must give significant weight to several enumerated factors, including demonstrated commitment and experience serving persons who have serious mental illness or chemical dependency disorders; and demonstrated commitment to and experience with partnerships with criminal justice systems, housing systems, and other critical support services.

EFFECT OF CHANGES MADE BY HUMAN SERVICES & CORRECTIONS COMMITTEE (Recommended Amendments): DSHS and HCA may establish regional service areas by March 1, 2015, or earlier if agreed upon by WSAC, only if they receive a positive recommendation from the Adult Behavioral Health System Task Force. The taskforce must study whether a statewide Office of Behavioral Health Ombuds should be created. House amendments are removed increasing the size and changing the instructions of the taskforce, requiring DSHS to integrate chemical dependency with managed care contracts administered by RSNs by April 1, 2016, requiring full integration of behavioral health and primary care purchasing by January 1, 2019, and renaming RSNs as behavioral health organizations.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony on Engrossed Second Substitute House Bill: PRO: One in four adults experience mental illness in a given year. Almost 50 percent of homeless adults suffer from mental illness or substance abuse. We have to do a better job of integrating and delivering services to our citizens. We want to explicitly require movement of chemical dependency services into managed care, instead of fee for service. We want to require a detailed plan for this transition to ensure the level of review necessary to meet federal and state requirements for managed care contracting. We want chemical dependency to receive the expansion of services envisioned for mental health services. This legislation gives DSHS the tools it needs to implement the policy direction given by the Legislature to demand improvement in meaningful client outcomes and performance. Moving chemical dependency into managed care has two key benefits: providing stability in the system by ensuring that the rates paid for services are actuarially sound, and providing the flexibility to provide critical supportive services to help persons with housing, transportation, and employment needs. We need to have a full array of services available for people who have a spectrum of mental health and chemical dependency needs. We believe the taskforce will provide a much needed open forum to scrutinize the changes happening in the delivery system. Please retain language protecting existing chemical dependency capacity and infrastructure.

OTHER: We support the integration of chemical dependency into primary care. We prefer the Senate version, which gives the taskforce more authority and more time to make decisions. The counties have concerns with the full integration mandate of behavioral health with primary care by 2019. This would require the state to no longer contract directly with counties, but would require counties to contract with Healthy Options plans. Some of our rural counties have little experience with this and have concerns. Services are best delivered and coordinated at the county level. It's a good idea to rename RSNs as BHOs. Thank you for removing stigmatizing language. You should remove references to drug addicts and alcoholics and refer instead to persons with chemical dependency disorders. Please give the taskforce more authority, so that chemical dependency providers can provide their input in that forum. Please call out the Criminal Justice Treatment Account as separate fund, which may not be used as a funding source for integration.

Persons Testifying: PRO: Representative Moeller, prime sponsor; Andi Smith, Governor's Office; Jane Beyer, DSHS; Gregory Robinson, WA Community Mental Health Council.

OTHER: Melissa Johnson, Assn. of Alcoholism & Addictions Programs; Abby Murphy, WA State Assn. of Counties; Jim Vollendroff, King County; Michael Transue, Seattle Drug and Narcotic Treatment Center; Melanie Stewart, Pierce County Alliance.