# Section 298 Full Financial Integration Pilots

Management of Specialty Behavioral Health Services
for Medicaid Beneficiaries Not Enrolled in a Medicaid Health Plan

## The Challenge

Section 298 of Public Act 107 of 2017 instructs the Michigan Department of Health and Human Services (MDHHS) to "…implement up to 3 Pilot projects to achieve fully financially integrated Medicaid behavioral health and physical health benefit and financial integration demonstration models. These demonstration models shall use single contracts between the state and each licensed Medicaid Health Plan (MHP) that is currently contracted to provide Medicaid services in the geographic area of the Pilot project."

In November 2017, MDHHS submitted a report to the Michigan Legislature that identified a number of potential barriers to implementation of the pilots and demonstration project as well as possible solutions to the those barriers. As part of this report, MDHHS identified that approximately 25% of Medicaid population is not enrolled in a Medicaid Health Plan (MHP) for management of their physical health services, and individuals in this sub-population receive physical health care services through a fee-for-service payment approach. The contract between MDHHS and the MHPs lists the reasons that will result in an individual not being enrolled in a MHP. While this unenrolled status occurs for a variety of reasons and is often short term, a significant portion of this population also consists of individuals who are dually enrolled in Medicare and Medicaid.

Concurrently, Michigan requires all specialty behavioral health services be managed by a Michigan Prepaid Inpatient Health Plan (PIHP). The PIHP expenditure on this population is approximately 40% of the total specialty behavioral health spend statewide. Given that this group is not enrolled in a MHP, it is not possible to integrate the behavioral health and physical health payments through the MHP for purposes of the Section 298 Pilots. MDHHS staff have been evaluating options for the past several months to manage the specialty behavioral health benefits for the unenrolled population during the implementation of the pilots.

This document presents the results of the department's research on this barrier and defines current expectations for how the specialty behavioral health benefit will be managed in 298 Pilot geographic areas for those individuals who are not enrolled in a MHP.

## Research

In December, MDHHS issued a Request for Information (RFI) seeking responses from those Community Mental Health Services Plans (CMHSPs) interested in being 298 Pilot sites. In this document, MDHHS originally communicated its intent to contract with an Administrative Services Organization (ASO) or a Managed Behavioral Health Organization (MBHO) to manage the specialty behavioral health benefit for those beneficiaries not enrolled in a MHP. At the same time, MDHHS conducted research and began developing a plan to procure management of the specialty behavioral health benefit for individuals who are not enrolled in an MHP.

The Section 298 Action Team researched how other states administered benefits for the unenrolled population. The Action Team's research included a review of public records and Request for Proposals

(RFP) of MBHOs and ASOs from San Diego County, Maryland, Arizona, Utah, and Massachusetts. While each state or county used an MBHO or ASO that was specific to its own needs, the underlying trend showed that these arrangements are recognized by Center for Medicare and Medicaid Services (CMS) as either a Managed Care Organization (MCO) or a PIHP. The fundamental difference between using a MCO or a PIHP is a matter of risk arrangement: MCOs utilize comprehensive risk while PIHPs utilize shared or no risk mechanisms.

After conducting this initial research, MDHHS determined that the ASO and MBHO options required CMS approval, public notice, and readiness assessment requirements that would likely prevent procurement prior to planned Pilot launch. The MBHO and ASO options also have adverse implications on payment methodologies for services provided in Institutions for Mental Disease. The department also received specific stakeholder feedback which was critical of either the MBHO or ASO option.

Based upon the results of this research and feedback from stakeholders, MDHHS decided to explore a broader range of options for the management of specialty behavioral health benefit for individuals who are not enrolled in a MHP. MDHHS issued a corresponding amendment to the RFI for the pilots, which is outlined below. The amendment also included a new question which solicited input from RFI respondents about the best strategy for managing this benefit during the pilots.

> ***8. Financing Model and Considerations****…*
> *Approximately forty-percent of the behavioral health expenditures are directed to individuals who are not enrolled in a Medicaid Health Plan. This specific population includes a higher percentage of individuals with significant behavioral health needs receiving multiple services. MDHHS is currently analyzing multiple options for the management of specialty behavioral health benefits for this population during the Pilot(s)…*
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> *e. Provide a description of how the specialty behavioral health benefit for the fee for service population could best be managed in the Pilot region.*[1]

The Action Team initiated a review of several options for managing the specialty behavioral health benefit for this population. The Action Team analyzed the following options as part of that process:

- MCO/PIHP: Create a new entity that manages the delivery of specialty behavioral health services for the FFS population, which includes fulfilling all necessary managed care functions and assuming financial risk for the assigned population.

- ASO: Create a new entity that serves as an extension of the state to provide payment, encounter reporting, monitoring and oversight of the delivery of specialty behavioral health services for the FFS population.

- Maintain the current PIHPs: The specialty behavioral health benefit for the unenrolled would remain with the pre-Pilot PIHP for the selected Community Mental Health Service Program.

- Contract with a Single PIHP: Create a separate single contract with an existing PIHP to manage the specialty behavioral health benefit for all the counties included in the 298 Pilot geographic area.

[1] State of Michigan Request for Information No. [RFI-180000000003], 298 Pilot(s) – Medicaid Physical-Behavioral Health Full Financial Integration, December 20, 2017, as amended.

The analysis that was conducted by the Action Team included consideration of Michigan's waivers with CMS, managed care policy requirements, procurement rules and timing requirements, and stakeholder feedback. The Action Team also evaluated the strengths and limitations of each option to determine which option would be most feasible to support the implementation of the pilots.

The Action Team also used the responses to question 8e within the RFI to inform the ongoing analysis of options. This analysis included specific feedback from the oral presentation process that was conducted as part of evaluation process. While the 298 pilot applicants voiced general support for an MBHO/ASO approach, they also indicated that it is not a viable option given the constraints of the pilot. Qualified applicants were unanimous in their opposition to a "current PIHP" approach for a number of reasons as specified in RFI responses. During applicant oral presentations, the RFI respondents also indicated that consistency of the financing and delegation of managed care functions across payers were top priorities if an integrated approach could not be achieved.

Given the various needs, constraints, and options, MDHHS has determined that the best option is to pursue a contract with a single, existing PIHP. MDHHS would separately contract with the PIHP to provide management of the specialty behavioral health benefit for individuals who are not enrolled in a MHP. MDHHS intends to issue a Request for Proposal (RFP) in April 2018 to solicit responses from interested and qualified PIHPs currently operating in Michigan. The remainder of this document provides an overview of the critical considerations for procurement and a resulting contract.

## Expectations and Parameters

### Legal Implications & Considerations

The Michigan Constitution and the Michigan Mental Health Code require that the state shall maintain a system of care for Michigan's citizens with serious health issues. Additionally, the Mental Health Code requires that the county-based community mental health system, when willing and able, shall be this "safety net" structure for behavioral health services. As such, the involvement of the local Community Mental Health Services Program (CMHSP) in providing specialty behavior health services Medicaid services is required. For MDHHS seeks to continue management of the specialty behavioral health benefit through a single PIHP selected by the state for individuals who are not enrolled in a MHP in Pilot geographic areas.

Pursuant to the Social Welfare Act, the Department is responsible for choosing a Pre-Paid Inpatient Health Plan to manage and support the Medicaid-covered specialty services and supports. MDHHS will chose a single PIHP through the procurement process to manage the Medicaid-covered specialty services and supports for individuals in the pilot regions that are not enrolled in an MHP. The existing contracts with the PIHPs in the pilot region must be amended for FY 19 to address any transition responsibilities, liabilities or other requirements. The CMHSPs selected for the pilot and the regional PIHP will need to consider how to transfer the existing PIHPs responsibilities to another PIHP in accordance with their by-laws or other contractual requirements.

### Structural Considerations

MDHHS will enter into a separate and distinct contract with the PIHP selected through the procurement process.

1. Eligible Applicants: If the following mandatory minimums requirements are not fulfilled the State reserves the right to disqualify an application:

    a. Only public PIHPs currently operating in Michigan and contracting with the State to manage the specialty behavioral health benefit are eligible to respond to the RFP.

    b. The applicant has no unresolved contract performance or compliance deficiencies with MDHHS

    c. The applicant has managed within its approved risk management plan and has not entered the state risk corridor in the three fiscal years prior to the issuances of this RFP.

    d. The applicant provides an attestation indicating agreement to work with 298 Pilot partners to create consistent systems and processes based upon mutual agreement.

    e. The applicant has experience managing multiple CMHSP systems of care.

    f. If the PIHP applicant has a Pilot region in its current contract designated region, the applicant provides further clarification of its plan to address: 1) governance separation, 2) conflict of interest, and 3) separation from its prior contractual relationship.

2. Population and Locations: The selected 298 Pilot location include the following counties: Genesee, Lake, Mason, Muskegon, Oceana, and Saginaw. While variable, the number of individuals in these counties that are not enrolled in a MHP is approximately 61,000 including approximately 19,000 individuals who are dually enrolled in Medicare and Medicaid.

3. Governance Structure: MDHHS currently requires that regional entity PIHPs in Michigan be created by CMHSPs in the region served. The governance structure for a PIHP is defined in the By-Laws approved by the member CMHSPs. It is not expected, nor required, that the PIHP/298 Pilot CMHSPs be bound by the same governance requirements defined in the current PIHP contract attachment, Application for Participation.

4. Consumer Involvement: Given the public nature of the financing arrangement, the department continues to place a priority on involvement of consumers and other stakeholders. The PIHP will assure, through its contract and monitoring with the Pilot CMHSP, that an adequate consumer engagement strategy exists that is consistent with public system policies and values.

**Operational Considerations**

It is expected that the selected PIHP will work in partnership with all 298 Pilot participants, both CMHSPs and MHPs, to develop an effective and consistent model to manage the specialty behavioral health benefit for the MHP unenrolled beneficiaries in the 298 Pilot geographic areas.

1. Public Policy: The public behavioral health system has been designed and modified to meet a number of public policy requirements which have continued to expand over time. These various policies and the resulting community and service structures, are integral to achieving goals and outcomes for individuals and communities. The current Prepaid Inpatient Health Plan (PIHP)

contracts include a number of attachments detailing these policies, which include:

- Technical Requirement for Behavior Treatment Plans
- Person-Centered Planning Policy
- Self Determination Practice & Fiscal Intermediary Guideline
- Technical Requirement for SED Children
- Recovery Policy & Practice Advisory
- Reciprocity Standards
- Inclusion Practice Guideline
- Housing Practice Guideline
- Consumerism Practice Guideline
- Personal Care in Non-Specialized Residential Settings
- Family-Driven and Youth-Guided Policy & Practice Guideline
- Employment Works! Policy
- Jail Diversion Practice Guidelines
- School to Community Transition Planning

MDHHS has contractually required PIHPs to ensure that these policies are appropriately applied to the Medicaid benefits provided. In the 298 Pilot locations, this responsibility will fall to the MHPs, for enrolled beneficiaries, as the new contract holder. The PIHP designated for the 298 Pilot MHP unenrolled will have responsibility for contractual compliance and oversight of the designated CMHSPs.

2. Service Array: A strength of Michigan's Specialty Behavioral Health systems is the comprehensive range of services and supports that have been made available to eligible consumers. It is the department's expectation that the PIHP managing the MHP unenrolled for the 298 Pilot geographic area will assure access to the required service array as defined in current contracts, applicable waivers and the Medicaid Provider Manual. In cooperation with 298 Pilot partners, the PIHP must demonstrate that (1) they are able to provide the required continuum of specialty behavioral health services and (2) that they have an adequate provider network to deliver these services. PIHP applicants must also describe how they will ensure continuity of authorized and medically necessary services during the period of transition.

3. Finances: Applicants will be asked to explain the potential funding arrangements that will be employed between the PIHP and the Pilot CMHSPs. The financial arrangement must address the various "community benefit" functions of the CMHSP, such as various pooled funding arrangements, social services collaborative agreements and other relevant community activities.

    a. Rate Setting and Risk Corridor: The rate development for this population will be separate from the current rate development process utilized for the PIHPs. The rates will be developed specific to the covered benefit to individuals in the Medicaid program in the Pilot locations that are not enrolled in a MHP. Current review of historic spending patterns statewide indicates that this population generally presents a higher need and includes a disproportionate share of the Habilitations Supports Wavier enrollees in the state. MDHHS expects that the rate development process will result in actuarially sound rates to be paid to the selected contractor for population. MDHHS will require that this contract be administered separately from the PIHP's existing contract with MDHHS and that funding will not be comingled.

The current contracting process with the PIHPs includes a defined risk corridor. The existing corridor makes the PIHP responsible for (1) expenditures between 100 and 105% of the capitation and (2) responsible for half of the expenditures between 106 and 110% of the capitation. Similarly, savings between 95 and 100% of the capitation may be retained by the PIHP, as well as half of savings between 90 and 94% of capitation.

The PIHP may retain an actuarially sound risk reserve for purposes of meeting this risk. MDHHS does not expect that any of this current risk reserve will be utilized for the Pilot site contracts. Further, any risk corridor calculations will be specific to each contract and will not be blended.

The risk corridor for the Pilot sites will be defined in the Request for Proposals. Further, MDHHS will work with the selected applicant to establish the necessary risk management strategy and corresponding reserve.

b. <u>Substance Use Disorder Financing and Management:</u> The Michigan Mental Health Code requires that publicly funded substance use disorder services be managed by a "department designated community mental health entity" (CMHE). The Mental Health Code also defines certain requirements that a department designated CMHE must meet. Both PIHPs and CMHSPs meet the definition of an entity that qualifies as a department designated CMHE; Pilot MHPs do not meet the designated criteria. Consequently, MHPs in the 298 Pilot region must sub-contract with their CMHSP for the management of Medicaid funding for SUD services. The non-Medicaid SUD funding (i.e., community block grant and liquor tax funds), will be transmitted directly to the CMHSP in the Pilot. The CMHSP will then be required to (1) meet the Mental Health Code requirements for the department designated CMHE and (2) manage the SUD service array. The CMHSP is expected to be able to demonstrate the necessary capacity and competency to provide the necessary management of SUD benefits.

To assure consistent practices in the Pilot geographic area, MDHHS will require the PIHP follow a contracting, management and payment structure consistent with that defined for the MHP and CMHSPs above for purposes of the management of SUD benefits for the unenrolled population. As such, the selected PIHP will not be the department designated CMHE for the pilot counties.

4. <u>Managed Care Functions:</u> Federal regulations set specific requirements for the performance of most managed care functions. In the PIHP system, performance of many of the managed care functions are delegated to the CMHSPs within the region. This delegation is intended to support the community behavioral health management role of the public behavioral health system. In the physical health delivery system, the MHPs have well developed systems and structures for performing the required managed care functions in a way that is consistent with both regulatory and accreditation requirements. The designated PIHP in partnership with 298 Pilot participants will be responsible for implementing managed care functions in ways that maximize efficiency (utilizing existing expertise and capacity), recognize necessary community presence when applicable, and comply with regulatory and contractual requirements.

For purposes of this contract, MDHHS will require that managed care functions that are delegated by the PIHP be consistent with the delegation approach defined by the 298 Pilot participants. To the extent possible, the PIHP will work with Pilot Participants to assure consistency and eliminate redundancy in pre-delegation review and ongoing monitoring of delegated functions. Implications

of MHP accreditation standards, through National Committee for Quality Assurance (NCQA), must be considered during pilot design and implementation phase of this project, including how that will affect consistent delegation of managed care functions in a PIHP-CMHSP contract. PIHP applicants will be required to demonstrate capacity and competency to perform the following managed care functions:

- Access
- Customer Service
- Reporting
- Claims Management
- Quality Management
- Utilization Management
- Provider Network Management

## Monitoring, Evaluation, and Oversight

The PIHP contract to manage the 298 Pilot MHP unenrolled beneficiaries is operationally separate from the 298 Pilots and therefore will not be considered as part of the independent 298 Pilot evaluation activity.

The PIHP will be responsible to meet other managed care and specialty behavioral health policy requirements as defined by its contract with MDHHS. It is expected that the PIHP will: 1) establish and maintain separate reporting for the MHP unenrolled participants from the 298 Pilot geographic areas; 2) permit department and External Quality Review distinct to the contracts covered beneficiaries (concurrent to other monitoring activities); and 3) with 298 Pilot partners design and conduct required pre-delegation and ongoing monitoring of managed care functions.

## Next Steps and Additional Resources

MDHHS anticipates issuing a Request for Proposal (RFP) in April 2018, which will be used to inform the selection of a PIHP designated to manage the defined Medicaid recipients. Consistent with normal procurement practices, the RFP period will include an opportunity for questions.

MDHHS will consider applications from all candidates meeting the mandatory minimum requirements and would expect to commence a contract for the defined work by October 1, 2018.

Additional resources can be accessed through the following links:

- Barriers to Implementation Report - Section 298(9) of PA 107 of 2017
- Concept Paper: Expectations and Parameters for the Section 298 Pilots
- Description of the Current System from the Final Report of the 298 Facilitation Workgroup
- Michigan Medicaid Provider Manual