



STATE OF MARYLAND

DHMH

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Maryland Department of Health and Mental Hygiene

201 W. Preston Street • Baltimore, Maryland 21201

Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – Joshua M. Sharfstein, M.D., Secretary

September 29, 2014

The Honorable Thomas V. Mike Miller, Jr.  
President of the Senate  
H-107 State House  
Annapolis, MD 21401

The Honorable Michael E. Busch  
Speaker of the House  
H-101 State House  
Annapolis, MD 21401

RE: HB 1034, Chapter 498 and SB 633, Chapter 497 of the Acts of 2010

Dear President Miller and Speaker Busch:

Pursuant to House Bill 1034 and Senate Bill 633 (Chapters 498 and 497 of the Acts of 2010), the Department of Health and Mental Hygiene, on behalf of the Developmental Disabilities Administration (DDA) and the Behavioral Health Administration (BHA), submitted a preliminary report on recommendations for a plan to develop and implement a rate-setting methodology for community developmental disabilities and mental health services providers in September 2013.

Since that time, the General Assembly passed House Bill 1238, Chapter 648 of the Acts of 2014, which requires DDA to conduct a rate-setting study to set provider rates for community-based services. This letter serves to acknowledge that DDA will not finalize the findings made in the 2013 preliminary report and instead will conduct the rate-setting study and issue a subsequent report as required by House Bill 1238. However, BHA will submit a final report pursuant to House Bill 1034 and Senate Bill 633 on or before December 31, 2014.

Please note that the Department of Health and Mental Hygiene continues to operate in compliance with the requirements stipulated in House Bill 1034 and Senate Bill 633 that are unaffected by House Bill 1238, including determining a weighted average cost structure set forth in § 13-806(b)(1) of the Health – General Article.

The Honorable Thomas V. Mike Miller, Jr.  
The Honorable Michael E. Busch  
Page 2

If you have any further questions, please contact Allison Taylor, Director of the Office of Governmental Affairs, at 410-767-6481 or [Allison.Taylor@Maryland.gov](mailto:Allison.Taylor@Maryland.gov).

Sincerely,

A handwritten signature in black ink that reads "Josh M. Sharfstein". The signature is written in a cursive, flowing style.

Joshua M. Sharfstein, M.D.  
Secretary

cc: Gayle Jordan-Randolph, M.D.  
Bernard A. Simons  
Brian M. Hepburn  
Erin K. McMullen  
Allison Taylor  
Senator Thomas M. Middleton  
Senator Edward J. Kasemeyer  
Senator James N. Robey  
Delegate Peter A. Hammen  
Delegate Norman H. Conway  
Delegate Mary-Dulany James  
Sarah Albert, DLS, MSAR #8247



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Maryland Department of Health and Mental Hygiene

201 W. Preston Street • Baltimore, Maryland 21201

Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – Joshua M. Sharfstein, M.D., Secretary

December 26, 2014

The Honorable Thomas V. Mike Miller, Jr.  
President of the Senate  
H-107 State House  
Annapolis, MD 21401

The Honorable Michael E. Busch  
Speaker of the House  
H-101 State House  
Annapolis, MD 21401

RE: HB 1034 and SB633 (Chapters 498 and 497 of the Acts of 2010) – **2014 Final Report of the Rate-Setting Methodology for Community Mental Health Services Providers**

Dear President Miller and Speaker Busch:

Pursuant to Section 2, House Bill 1034 and Senate Bill 633 (Chapters 498 and 497 of the Acts of 2010), the Department of Health and Mental Hygiene is required to conduct a study for the purpose of recommending a plan to develop, and a timeline to implement, a rate-setting methodology for community developmental disabilities and mental health services providers.

The Department respectfully submits this report on the Behavioral Health Administration's study and plan for a rate-setting methodology for community mental health services providers. However, the additional information that requires the Developmental Disabilities Administration (DDA) to study and set rates for community developmental disabilities providers is not included in this report but will be included in a subsequent report.

If you have any questions regarding this report, please contact Allison Taylor, Director of Governmental Affairs at 410-767-6481 or at [Allison.Taylor@maryland.gov](mailto:Allison.Taylor@maryland.gov).

Sincerely,

Joshua M. Sharfstein, M.D.  
Secretary

Enclosure

cc: Gayle Jordan-Randolph, M.D.  
Rianna Brown, J.D.  
Allison Taylor, J.D., M.P.P.  
Sarah Albert, MSAR# 8247

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**DEPARTMENT OF HEALTH AND MENTAL HYGIENE**

**LEGISLATIVE REPORT**

**Rate-Setting Methodology for Community Mental Health Services Providers**

Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – Joshua M. Sharfstein, M.D., Secretary

Senate Bill 633/Chapter 497 and House Bill 1034/Chapter 498 of the Acts of 2010 requires the Department of Health and Mental Hygiene (DHMH) to conduct a study for the purposes of recommending a plan to develop, and a timeline to implement, a rate-setting methodology for community developmental disabilities and mental health services providers. DHMH is submitting this report to provide its findings and recommendations for community mental health service providers.

## **Background**

As of July 1, 2014, the Mental Hygiene Administration (MHA) and the Alcohol and Drug Abuse Administration (ADAA) combined, creating the Behavioral Health Administration (BHA). BHA provides services to individuals in a variety of settings throughout Maryland that are institutional or community-based.<sup>1</sup> Community behavioral health services are available to individuals who are Medicaid-eligible and to those who, because of the severity of their illness and their financial need, qualify to receive State-subsidized services.

Local authorities work with BHA to coordinate and deliver behavioral health services at the county level. They contract for services that are not reimbursed through the fee-for-service system (FFS), such as peer support programs and training. Services provided in the community are financed with a combination of federal, general, and special funds. The majority of the individuals who receive services are Medicaid-eligible, and the State receives federal matching funds for services provided to Medicaid-enrolled individuals.

## **Behavioral Health Integration**

It is important to note that primary mental health and substance use services are currently delivered to Medicaid recipients through the Managed Care Organizations (MCOs), while specialty mental health services are delivered through an Administrative Services Organization (ASO). Specialty mental health services delivered through the ASO are funded through a carve out (fee-for-service) model. As of January 1, 2015 all specialty behavioral health services – including mental health and substance use disorder services – for Medicaid enrollees will be carved out and funded through a single Administrative Services Organization.

The process to integrate services for mental health and substance use disorders emerged from a three phase, stakeholder-driven process that commenced in 2011. In early 2012, DHMH established a Steering Committee, led by the Deputy Secretary for Health Care Financing, to review options for the financing of integrated care for individuals with behavioral health disorders. Membership included representatives from all key programmatic units at DHMH, including Medicaid, MHA, and ADAA. During 2012, DHMH held a series of large public stakeholder meetings regarding the selection of a financing model. After considering all input, on November 1, 2012, the Steering Committee issued a report recommending a specialty behavioral health carve out using an ASO.

Following this in 2013, DHMH held additional stakeholder meetings to discuss the RFP process for selecting a new ASO. In 2014, an additional stakeholder workgroup was established to solicit input on integrating the existing ADAA and MHA statutes and community behavioral health program regulations.

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<sup>1</sup> BHA also operates State-run psychiatric facilities including five hospitals and two Residential Treatment Centers (the Regional Institutions for Children and Adolescents).

On September 3, 2014 ValueOptions - an Administrative Services Organization (ASO) - was awarded a new performance-based contract for the carve out for mental health and substance use services. This contract was unanimously approved by the Board of Public Works, and DHMH is on track to implement an integrated system on January 1, 2015.

## **Overview of Current Rate-Setting Process**

There have been two community mental health services models financed by MHA: outpatient mental health clinics and psychiatric rehabilitation providers. Outpatient mental health clinics conduct assessments and evaluations, as well as provide individual, family and group therapy. These clinics are reimbursed on a FFS basis. Outpatient mental health clinic fees are outlined in COMAR 10.21.25.05 to 10.21.25.08.

Psychiatric rehabilitation providers treat individuals with serious emotional disturbances or a serious and persistent mental health disorders. Psychiatric rehabilitation providers are reimbursed for face-to-face patient encounters at a monthly rate, based on a person's assessed need, for a minimum and maximum range of services. These rates are published in COMAR 10.21.25.09. Eligibility, utilization review, outcomes assessments, and claims processing is handled by ValueOptions.

In accordance with Senate Bill 633/House Bill 1034 of 2010, MHA (now BHA) continues to use a weighted average cost structure established by Community Services Reimbursement Rate Commission (CSRRC) and implemented by DHMH's Budget Management Office and the Department of Budget and Management. The fees paid to the community mental health services providers for services rendered to eligible individuals are adjusted annually. MHA (now the BHA) will continue to use the weighted cost average methodology until a new methodology is established.

## **Collaboration with CSRRC**

One aspect of Senate Bill 633/Chapter 497 and House Bill 1034/Chapter 498 of the Acts of 2010 required an analysis of the appropriate future role of the CSRRC. Since its inception in 1996, CSRRC supported various aspects of the payment systems used by the BHA.

As requested by the chairs of the House Health and Government Operations and the Senate Finance Committees, the CSRRC is currently inactive. However, DHMH will continue to strive to improve our progress to implement a rate-setting methodology for community mental health services. BHA had been collaborating with CSRRC to implement meaningful and normative standards to accurately measure provider financial health. BHA was also working with CSRRC to develop supplemental survey methodologies to better understand and measure the financial condition of its providers. The surveys are continuing despite the fact that the CSRRC is currently inactive.

DHMH appreciates the Maryland General Assembly's continued support for people in the public behavioral health system.