



**Special Committee on Larned & Osawatomie State Hospitals**

**December 19, 2016**

**IMD Rule**

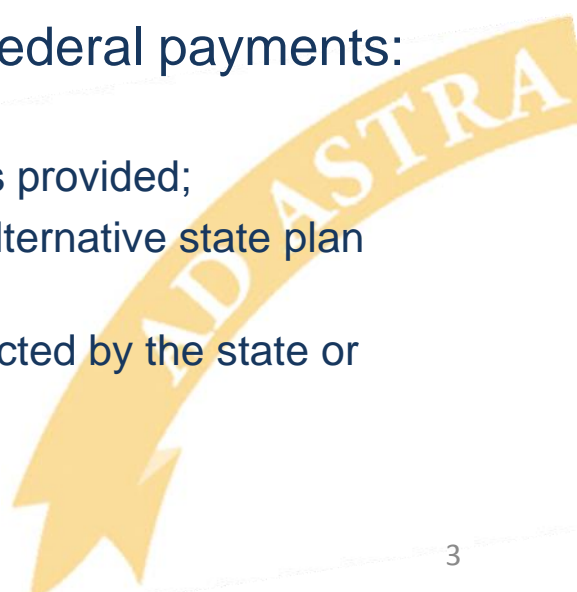
# Institution for Mental Disease (IMD) Background

- Prohibits “payments with respect to care or services for an individual who has not attained 65 years of age and who is a patient in an institution for mental disease.”
- “institution for mental disease” is any “hospital, nursing facility, or other institution of more than 16 beds, that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases, including medical attention, nursing care and related services.”
- Enacted in 1965 when Medicaid was enacted;
  - There was hope that inpatient facilities would become obsolete with advancements in antipsychotic medications;
  - Deinstitutionalization: U.S. has closed 97% of its state psychiatric hospital beds since the mid-1950’s
  - Shifted the cost of psychiatric treatment from federal government to the states



# Managed Care Rule

- The 2016 Managed Care Rule did not remove FFP prohibition on IMD payments, but created an exception during a month with short-term stay for managed care member;
- Modifies the parameters of the exclusion to allow states to make monthly capitation payments to MCOs for members 21-64 years of age who have short term stays;
- Allows potential savings through capitation rate setting;
- Conditions for MCO payments to be covered by federal payments:
  - No longer than 15 days;
  - IMD services must meet conditions of “in lieu of” services provided;
  - Capitation rate must price IMD at the same cost as the alternative state plan services;
  - IMD alternative settings need to be a choice and not directed by the state or MCO.



# State Budget Scenario #1

- If members with short-term IMD stays are currently enrolled in KanCare and the state pays IMD claims outside the capitation rates with all state funds, the state can include such claims with a re-priced amount in the capitation rate and claims FFP for the rate increase. In this scenarios, if the state share of the rate increase is less than the current total payment for such short-term IMD stays, savings will be created.

# State Budget Scenario # 2

- If members with long-term IMD stays are currently enrolled in KanCare and the state pays IMD claims outside the capitation rates with all state funds, the state will need to remove these members from managed care during the long-term stay months and the state will need to pay non-IMD claims on the fee-for-service side with all state funds. In this scenario, the state will lose FFP for the for the non-IMD claims previously included in the capitation rates and incur a cost increase.

# State Budget Scenario # 3

- If members with short-term IMD stays are currently excluded from KanCare and the state pays both non-IMD claims and IMD claims with all state funds, the state can include such claims with re-priced amount for IMD in the capitation rates and claim FFP for the rate increase. In this scenario, if the state share of the rate increase is less than the current total payment for such short term IMD stays, savings will be created.

# State Budget Scenario # 4

- If members with long-term IMD stays are currently excluded from KanCare and the state pays both non-IMD claims and IMD claims with all state funds, the state will need to continue to keep them outside KanCare and pay their claims as is without any budget impact.

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AD ASTRA

# IMD Data Projections

	Hospital Data Year	Potential Annual Medicaid Eligibles*	Total Days in Stays <16 Days	Est. Cost per Day^	Estimated Total SH Cost	Potential Fed Share under new rule
LSH	2014	99	912	\$800	\$729,600	\$415,872
OSH	2014	95	5279	\$800	\$4,223,200	\$2,407,224
					Total 2015	\$2,823,096
LSH	2015	610	870	\$800	\$696,000	\$396,720
OSH	2015	251	2303	\$800	\$1,842,400	\$1,050,168
					Total 2015	\$1,446,888

\* Potential Medicaid Eligibles indicate individuals 22-64 at the time of SH admission, had Medicaid eligibility prior to admission and had a stay less than 16 days.

^ Estimated SH cost per day, requesting a better estimate from the SHs.





# Possibilities

- Enroll all IMD users in KanCare, incentivize MCOs to optimize the use of state plan services for the treatment of IMD users, and minimize the possibility of long-term IMD stays;
- For members with long-term stays, the state could set up a separate ASO-type contract with MCOs to keep them enrolled with the MCOs but pay the claims using state funds.

