
Joint Legislative Audit and Review Commission



**Availability and Cost of Licensed
Psychiatric Services in Virginia**

Commission Briefing

October 9, 2007



JLARC

Study Mandate

- Senate Joint Resolution 185 (2006 Session) directs JLARC to examine inpatient mental health care
 - Medicaid rate-setting process
 - Adequacy of, and funding for, licensed psychiatric beds
 - Community services boards contracts with licensed psychiatric facilities
- Study results from concern over decreasing number of acute care psychiatric beds in licensed hospitals
- Community services boards increasingly use licensed hospital beds to replace beds in State hospitals

In This Presentation

- Overview of Virginia's Mental Health System
- Overall Number of Psychiatric Beds Appears Adequate, But There May Be Shortages for Some Groups
- Community Services Could Reduce Need for Beds
- Most Licensed Hospitals Had Unreimbursed Costs
- Changes to Medicaid Rate-Setting Process May Be Warranted
- Role of State Hospitals Needs to be Clarified
- Role and Responsibilities of CSB Regional Partnerships Need to be Clarified

Mental Health Needs and Services Vary With Age

- 298,000 Virginia adults have a serious mental illness
- 102,000 children & adolescents have a serious emotional disturbance
- Initial symptoms occur in late teens and early 20s
- Lifespan is 25 years less than American population

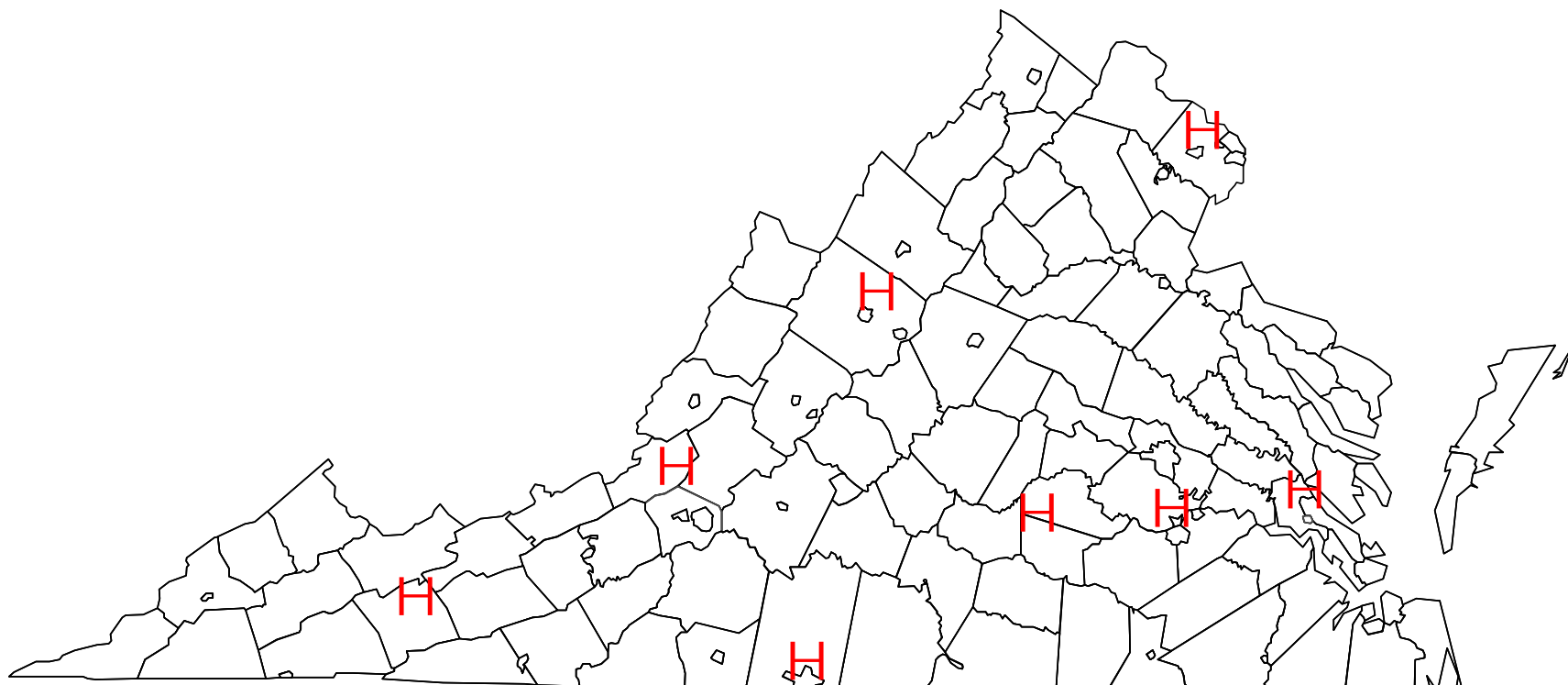
Mental Disorders Among Hospital Patients in Virginia

- Most common diagnoses for psychiatric patients
 - Mood disorder
 - Schizophrenia
 - Substance abuse
 - Depression
- Can affect ability to care for self, and may lead to suicide or violent behavior
- Demand for services by veterans may increase

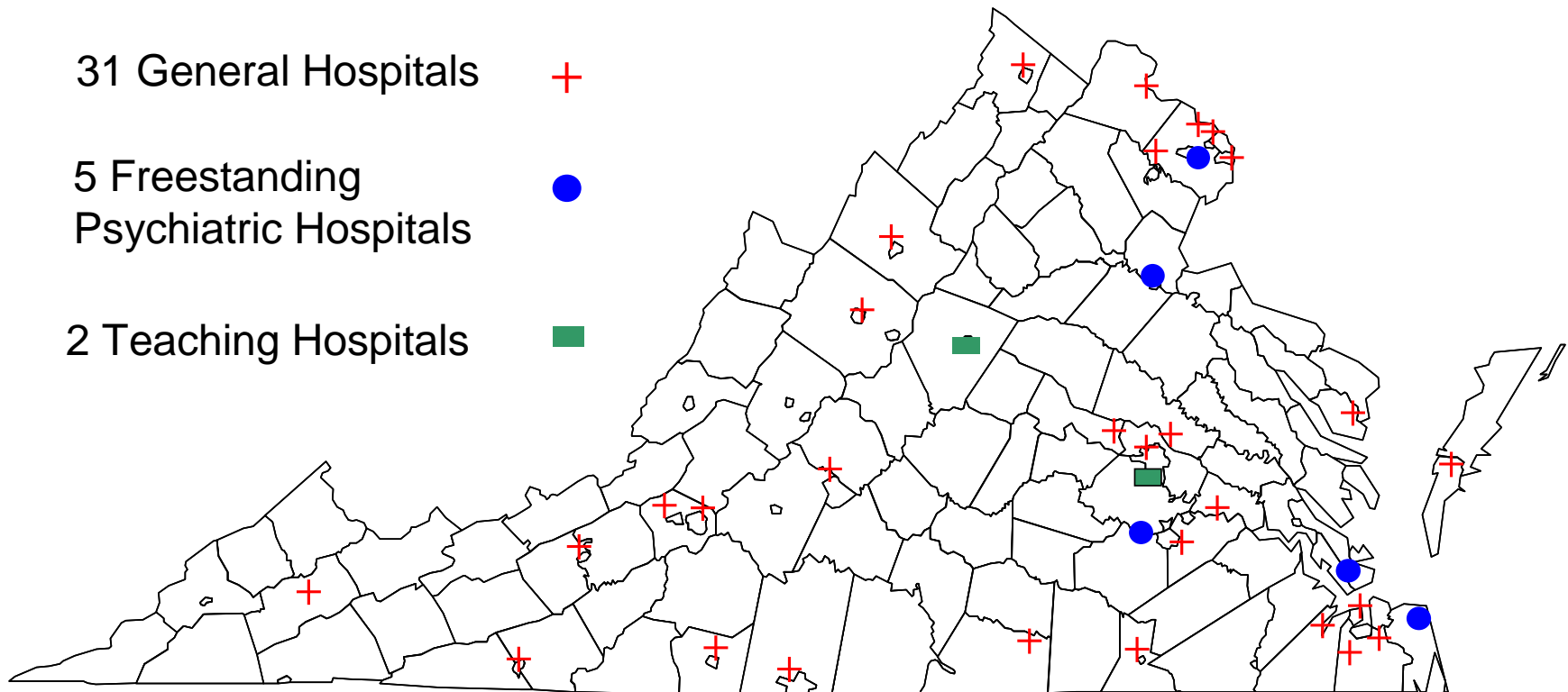
Public Agencies Provide, License, and Fund Services

- State Mental Health, Mental Retardation and Substance Abuse Services Board (State Board)
- Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS)
 - State Hospitals
- Community Services Boards (CSB)
- Department of Medical Assistance Services (DMAS)
- Virginia Department of Health (VDH)

Location of State Hospitals



38 Licensed Hospitals Provided Inpatient Psychiatric Services in 2005



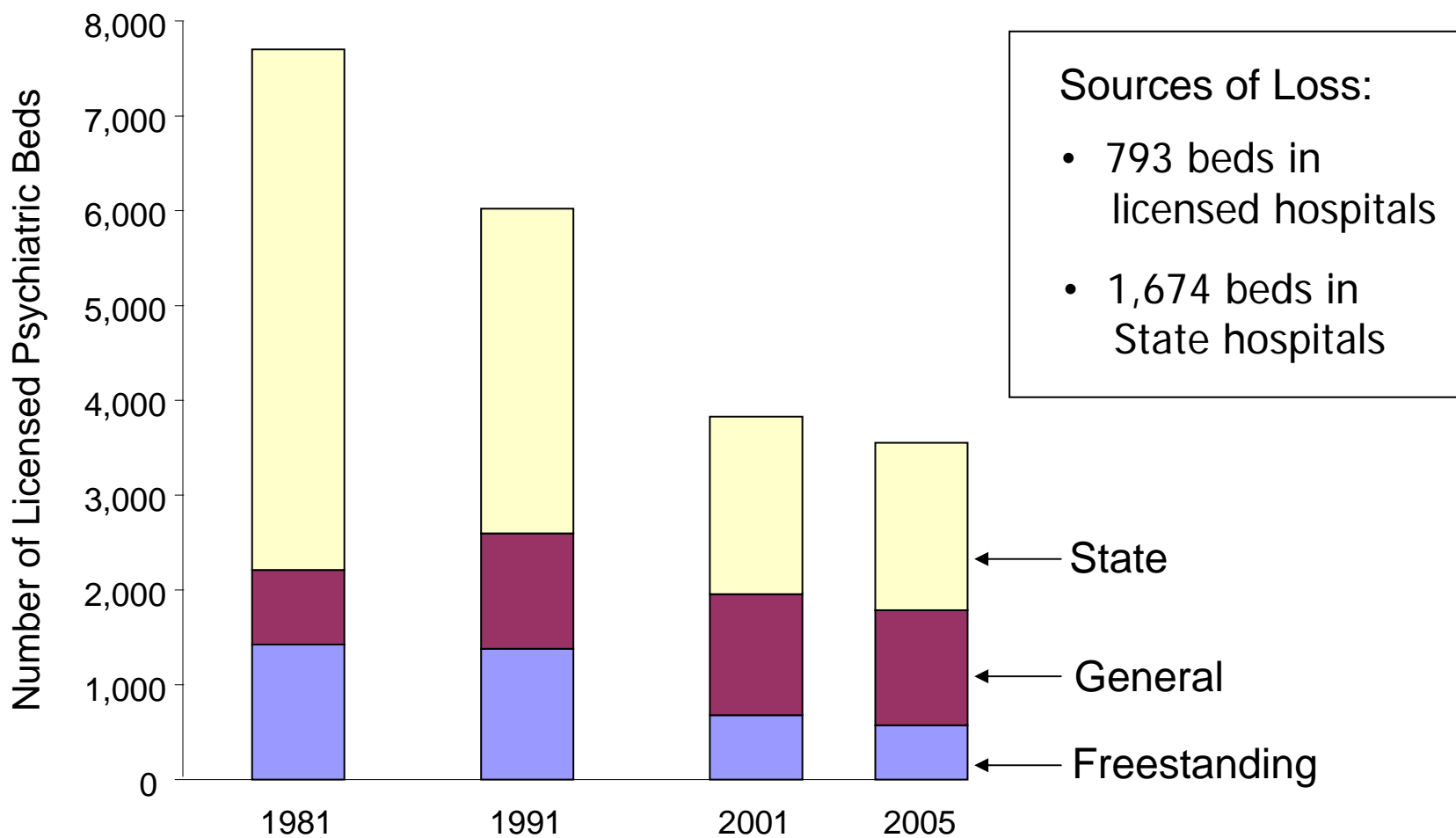
Services Exist on a Continuum, and Least Restrictive Treatment Should Be Used

- Individuals are entitled to refuse treatment
- Recovery model advocates personal responsibility
- U.S. Supreme Court's Olmstead decision (1999) reinforced shift to less restrictive services

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Since 1991, Virginia Has Lost 2,467 Psychiatric Beds



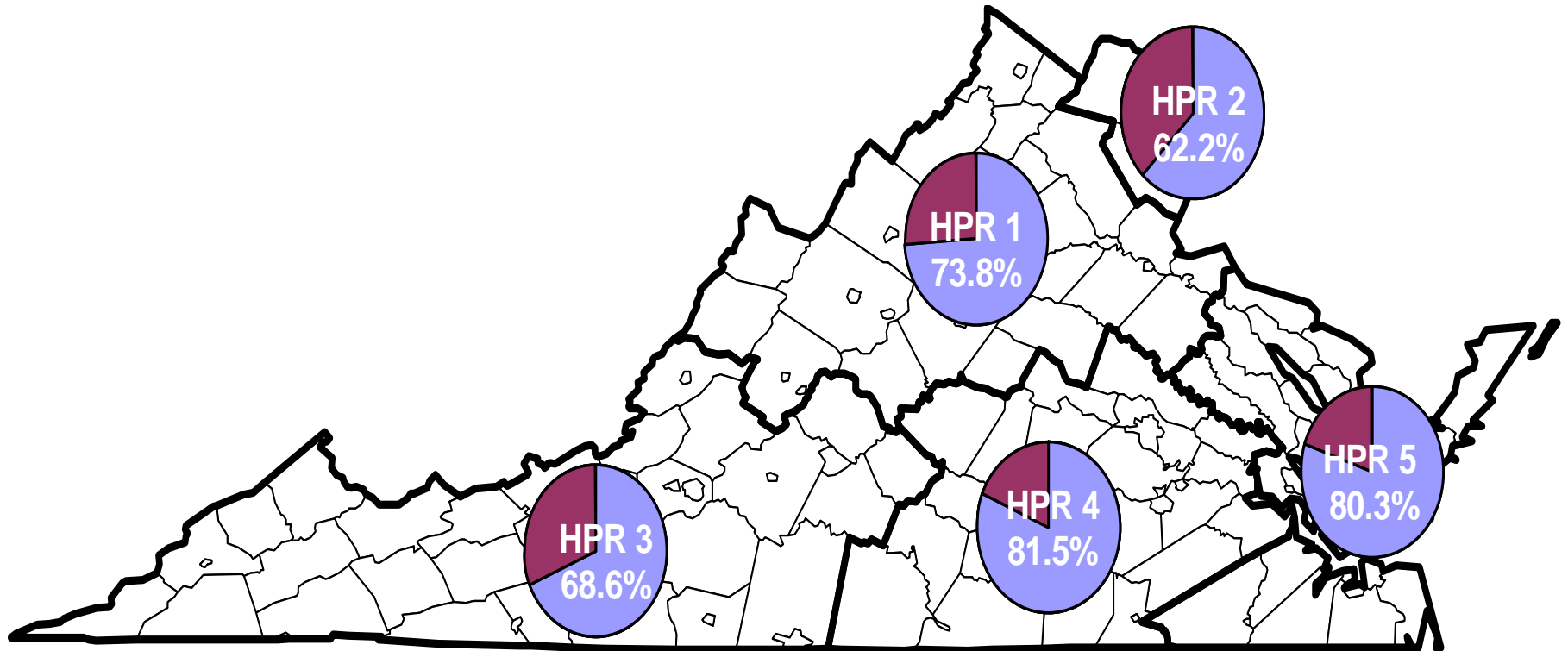
Licensed Hospital Beds Increased in 1980s, and Have Decreased Since Then

- 1990s Reductions from mergers & acquisitions
- 2001-05 Loss of 154 licensed beds
- 2005 Only 78% of licensed beds were staffed
 - 397 beds licensed but not used

Licensed Occupancy Rates Are Reasonable Statewide


- Licensed hospitals must obtain Certificate of Public Need (COPN) from VDH before adding beds
- VDH assesses occupancy rate of licensed beds when determining need
- Licensed occupancy rates are under 90% threshold
 - Statewide, occupancy rate for licensed psychiatric beds is 58%

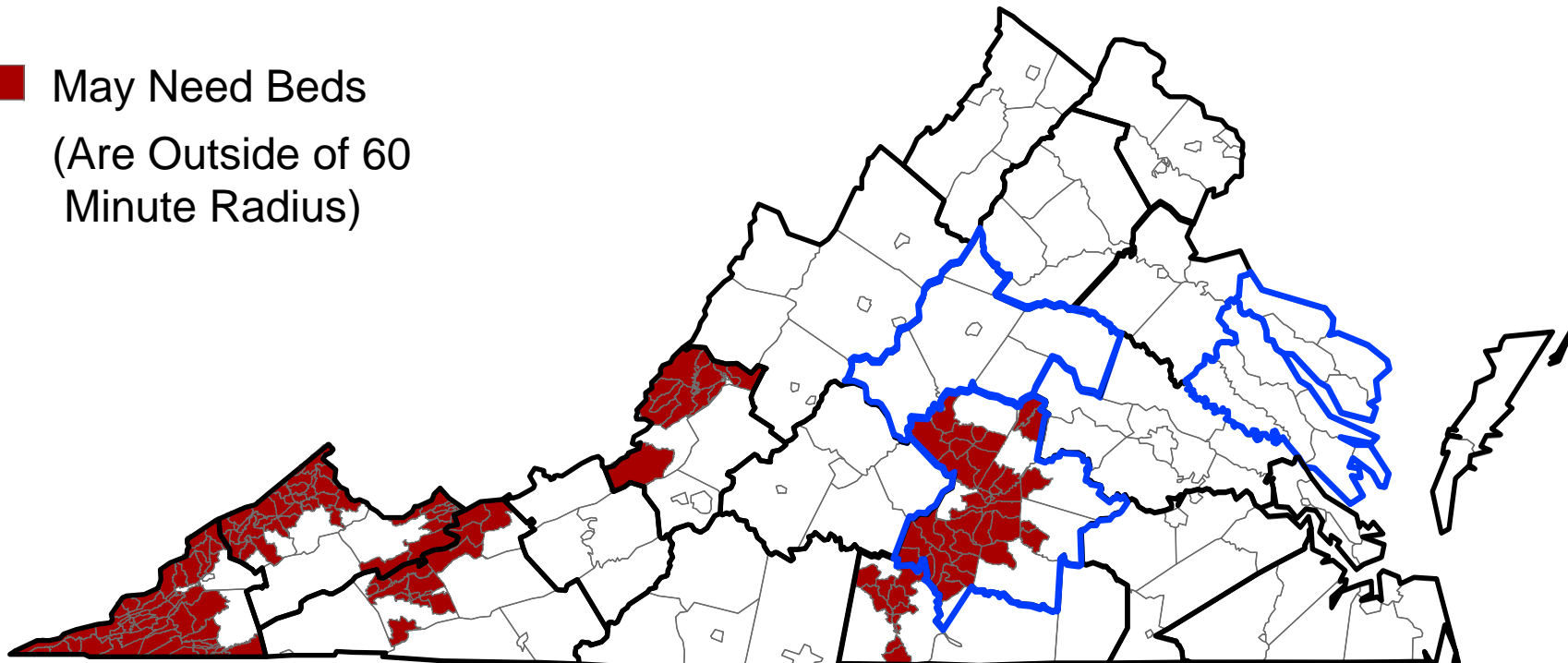
Staffed Occupancy Rates Are Higher But Still Under 90% Threshold



More Beds Are Needed in Some Planning Districts

 Need Beds According to VDH

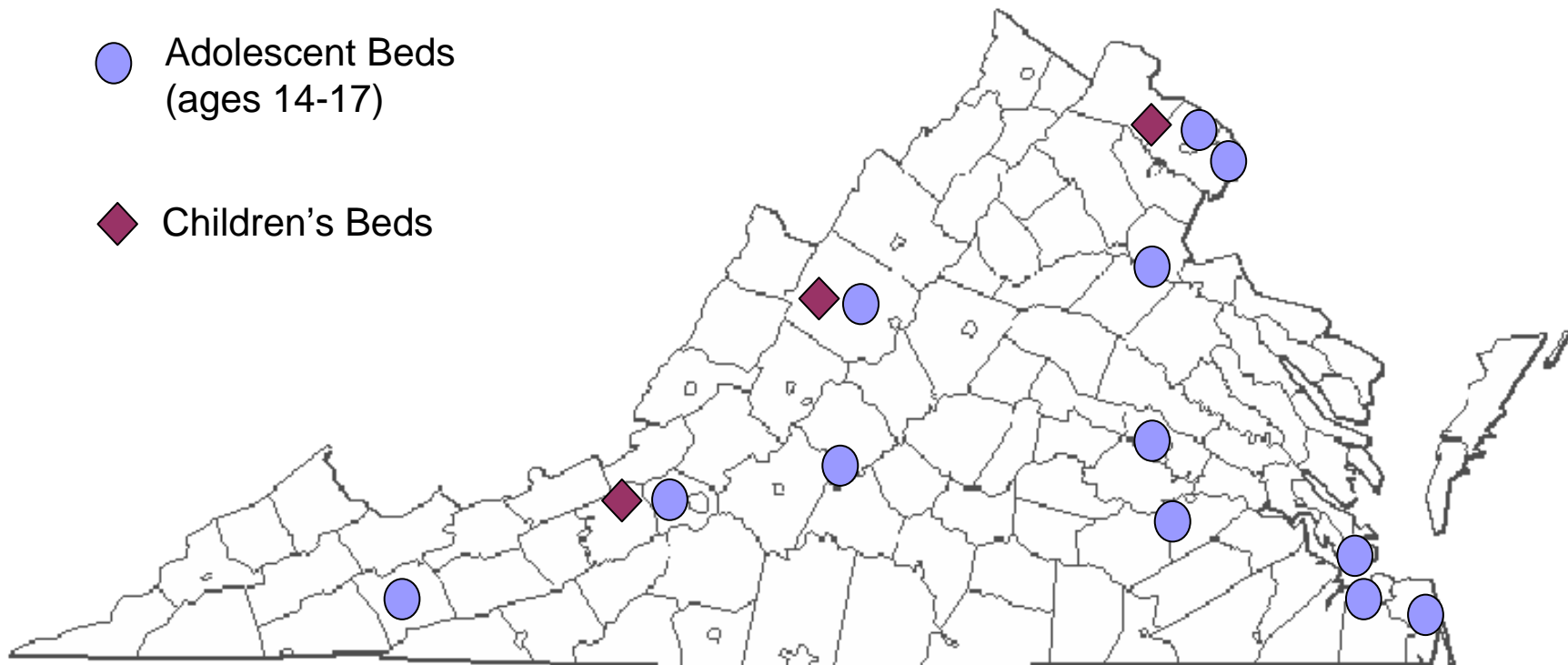
 May Need Beds
(Are Outside of 60
Minute Radius)



Demand for Beds Is Affected by Civil Commitment Process

- Release of persons held under temporary detention order (TDO) indicates unmet demand
- 85% of involuntary commitments to licensed hospitals in 2005
 - Not legally required to accept commitments
- 35% increase in involuntary commitments
 - 1998 5,300
 - 2006 7,200

Children and Adolescents May Face Barriers Because of Location of Beds



Source: DMHMRSAS Licensure Data

Persons With Behavioral Problems May Face Difficulty Accessing Existing Beds

- Children and adolescents face access barriers
 - History of acting out sexually
 - History of severe and repetitive violence
 - Pending felony charges
 - Significant history of substance abuse
 - Autism spectrum disorders or mental retardation
- Similar characteristics among adults may create access barriers

Source: Virginia Treatment Center for Children

Determining Adequacy Depends on Many Factors

- Assessment is limited by lack of demand data
- Several policy questions must also be answered:
 - Should all persons have access?
 - Should people have to travel, and how far?
 - How many State hospital beds are available?
 - How many community-based services are available?
 - Are there enough psychiatrists and other staff?

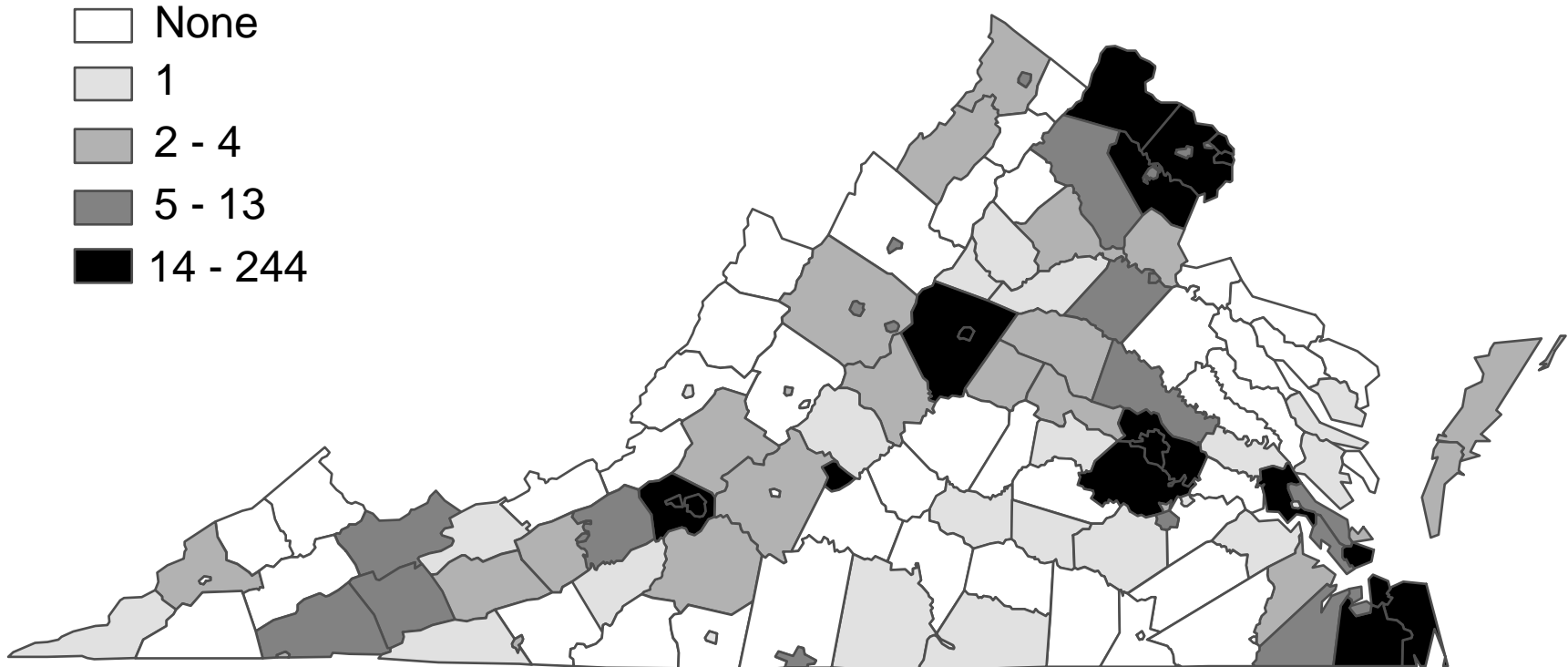
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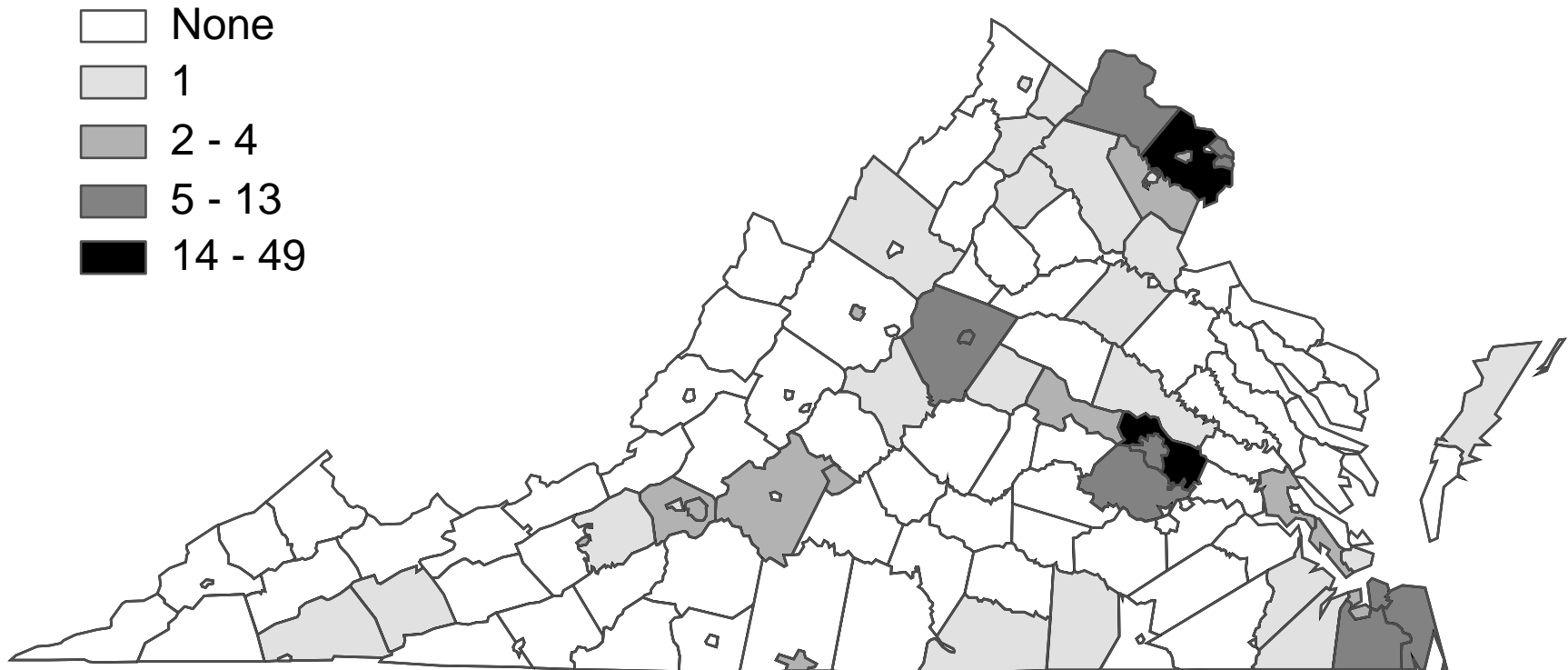
Shortage of Psychiatrists Is Reported

- Long waits are reported to see a CSB psychiatrist
 - Difficulty accessing medication after discharge
- Many localities do not have any psychiatrists
 - 7 localities have half of all psychiatrists

47 Localities Have No Psychiatrists At All



87 Localities Have No Child Psychiatrists



Recommendation

- The General Assembly may wish to direct DMAS to study regional rate adjustments for physician services in order to attract psychiatrists to medically underserved areas

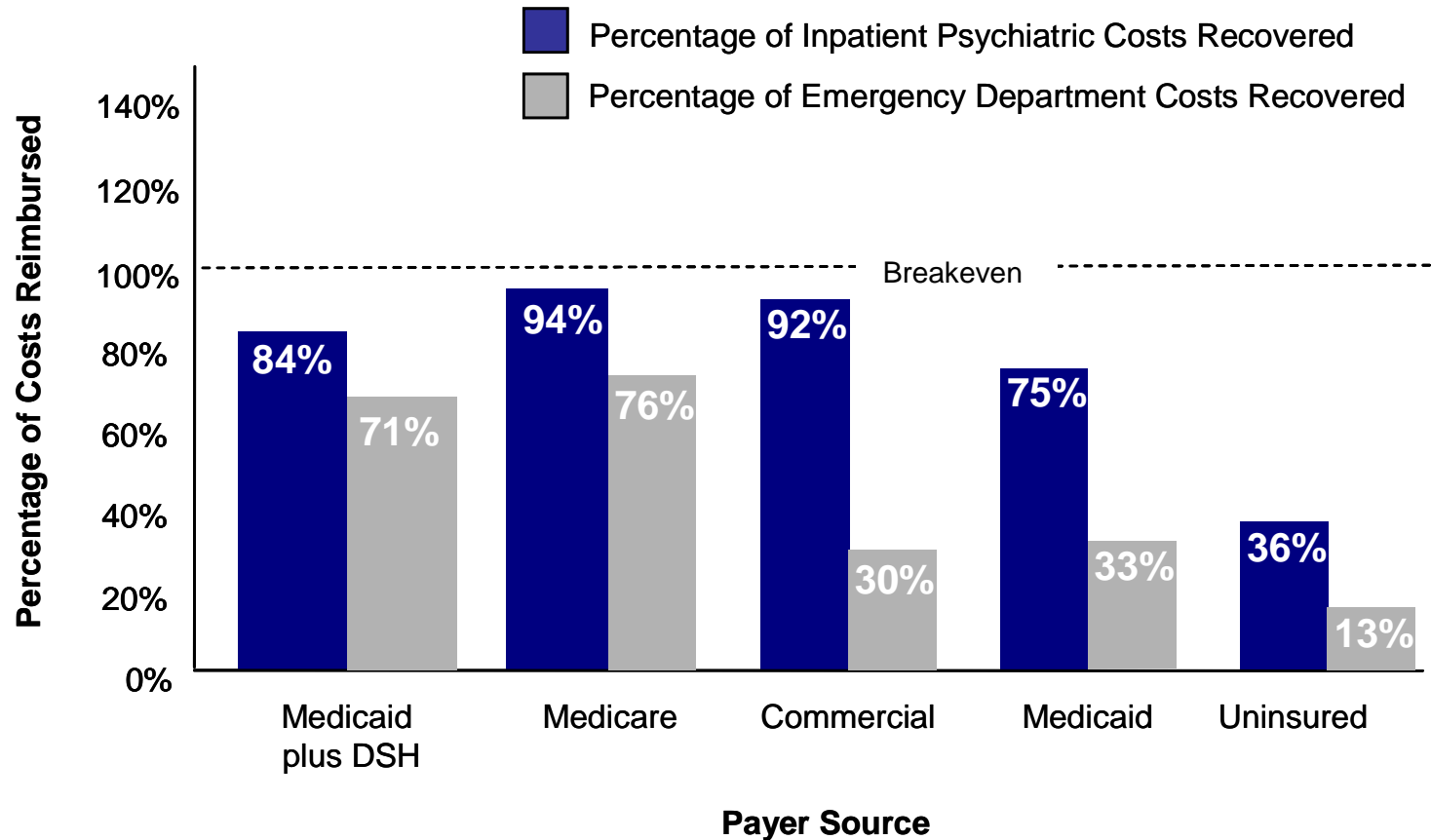
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Licensed Hospitals Reported Unreimbursed Costs from Providing Psychiatric Services

- \$25 million from 21 inpatient units
- \$45 million from 14 emergency departments
 - Federal Emergency Medical Treatment and Labor Act (EMTALA) requires emergency departments to stabilize all persons

Payer Mix Affects Extent of Unreimbursed Costs



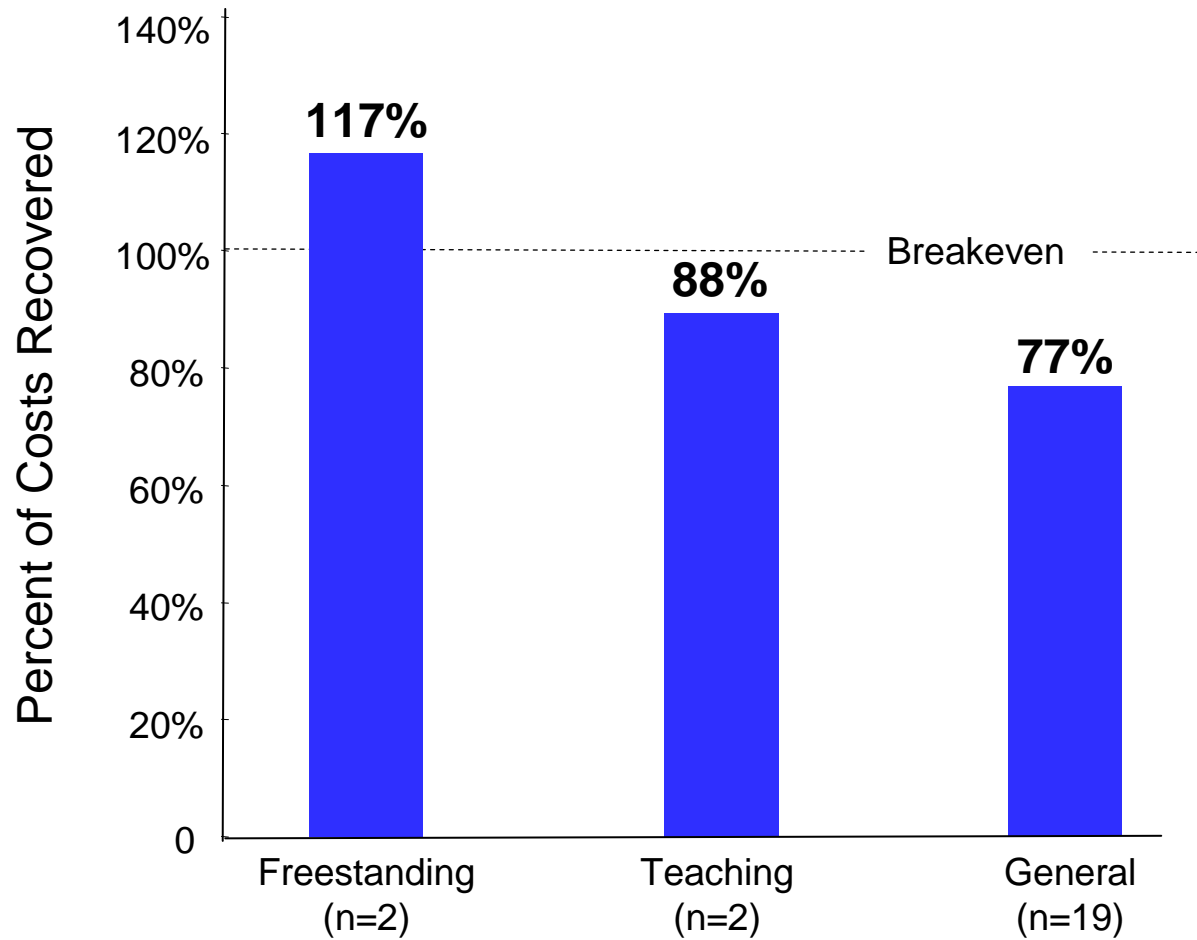
Licensed Hospital Responsibility for Charity Care May Need Greater Clarification

- \$7 million of unreimbursed costs
 - 3 State programs reimburse hospitals
- COPN requires some hospitals to provide charity care
 - All hospitals benefit from COPN status
- Non-profit hospitals receive State tax exemptions
- Amount of hospital charity care needs to be balanced against unreimbursed costs and State assistance

Under-Reimbursement from Commercial Insurance Affects Hospitals, but State Role is Unclear

- \$4 million in unreimbursed costs
- Lack of reimbursement may lead to further reduction in psychiatric beds
 - Reduction can occur without State approval

Extent of Unreimbursed Costs Varies by Hospital Type



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Licensed Hospitals Have Several Concerns Regarding Current Medicaid Rates

- Unlike almost all medical services, per diem rate is used for psychiatric services
- Licensed hospitals are paid for less than cost
 - Operating 84% of average daily cost
 - Capital 80% of cost

Recommendation

- The General Assembly may wish to direct DMAS to study the use of weighted per diem rates and outlier payments for inpatient acute care psychiatric services

Payments During the TDO Period Are Paid From Involuntary Mental Commitment Fund

- Acts as payment source of last resort
- Licensed hospital staff state that not all services are reimbursed by DMAS
- 1995 statute requires TDO rates to be established by regulation, but regulations have not been adopted

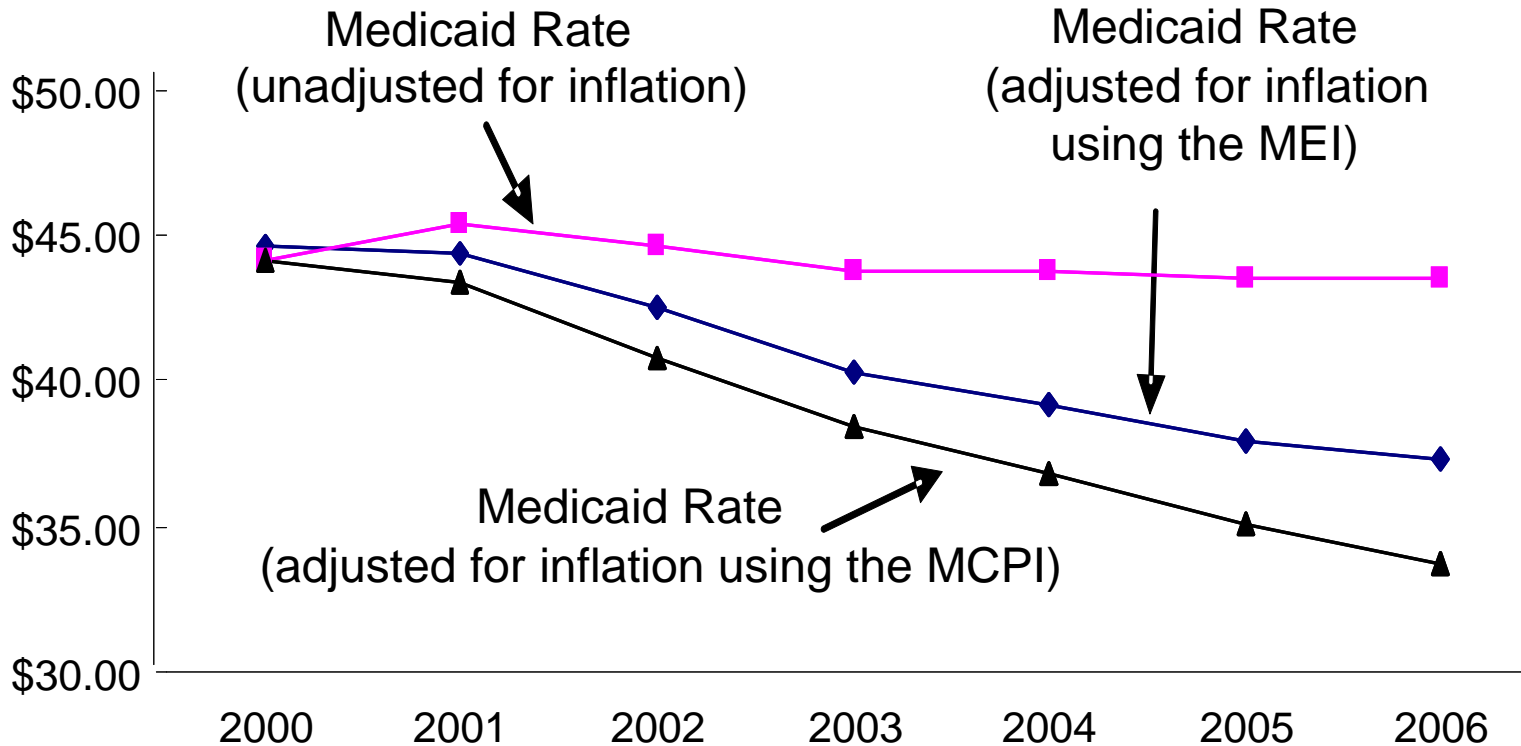
Recommendation

- The Board of Medical Assistance Services should adopt regulations to establish rates for services rendered during temporary detention orders, as required by § 37.2-809 of the *Code of Virginia*, and use the regulatory process to establish reasonable reimbursement criteria

Rates for Professional Psychiatric Services Are Low Compared to Other Benchmarks

- Medicaid rates for professional psychiatric services have generally been flat over last 6 years
- Rates paid by Medicare and other insurers are higher
- May contribute to shortage of psychiatrists

Average Medicaid Rates for Psychiatric Services Have Not Kept Pace With Inflation



Note: Weighted average of the 5 most frequently performed psychiatric services

Recommendation

- The General Assembly may wish to direct DMAS to include inflation adjustments for the rates for physician psychiatric services

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Eastern State Hospital Was First Public Mental Hospital in the Western Hemisphere

JOURNAL

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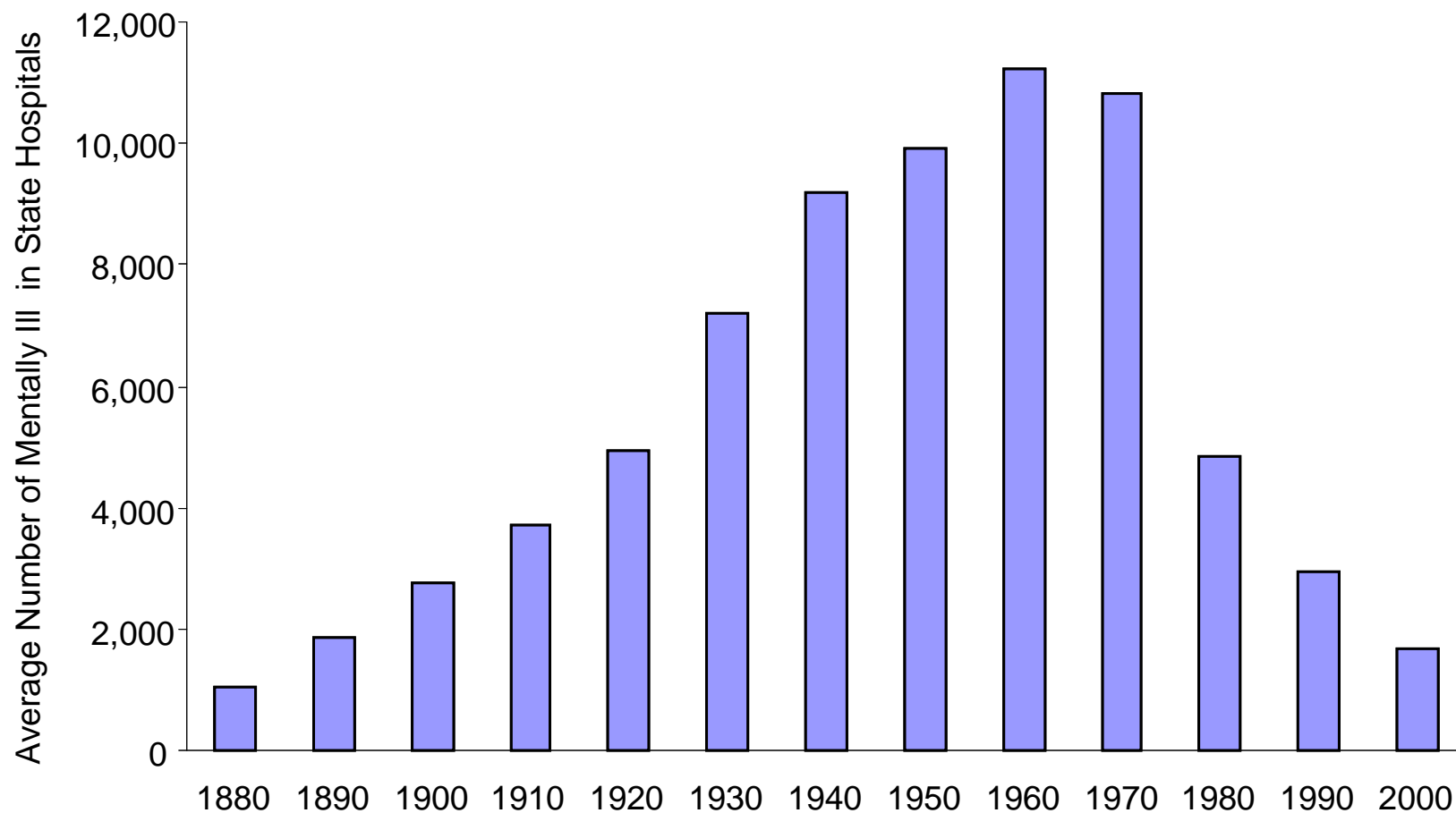
HOUSE OF BURGESSES

Thursday, the 6th of November. 7 Geo. III. 1766.

It is expedient I should also recommend to your Consideration and Humanity a poor unhappy set of People who are deprived of their Senses and wander about the Country, terrifying the Rest of their Fellow Creatures. A legal Confinement, and proper Provision, ought to be appointed for these miserable Objects, who cannot help themselves. Every civilized Country has an Hospital for these People, where they are confined, maintained and attended by able Physicians, to endeavour to restore to them their lost Reason.



Institutionalization Began in About 1920 and Ended in 1970



State Hospital Service Responsibility Needs to be Clarified

- State hospitals no longer admit some groups served before deinstitutionalization
 - Dementia
 - Substance abuse
 - Non-psychiatric medical conditions
 - Traumatic brain injuries
- 1980 statute requires pre-admission screening procedures to be established by regulation, but regulations have not been adopted

Clarification of State Hospital Admission Criteria May Address Concerns of Providers

- DMHMRSAS states these persons should be served by licensed hospitals and other providers, which report difficulty providing services
- Persons not admitted to State hospitals appear to become the financial responsibility of local agencies
 - State law places requirement for care upon local departments of social services
 - Annual contract with DMHMRSAS places some responsibility on CSBs

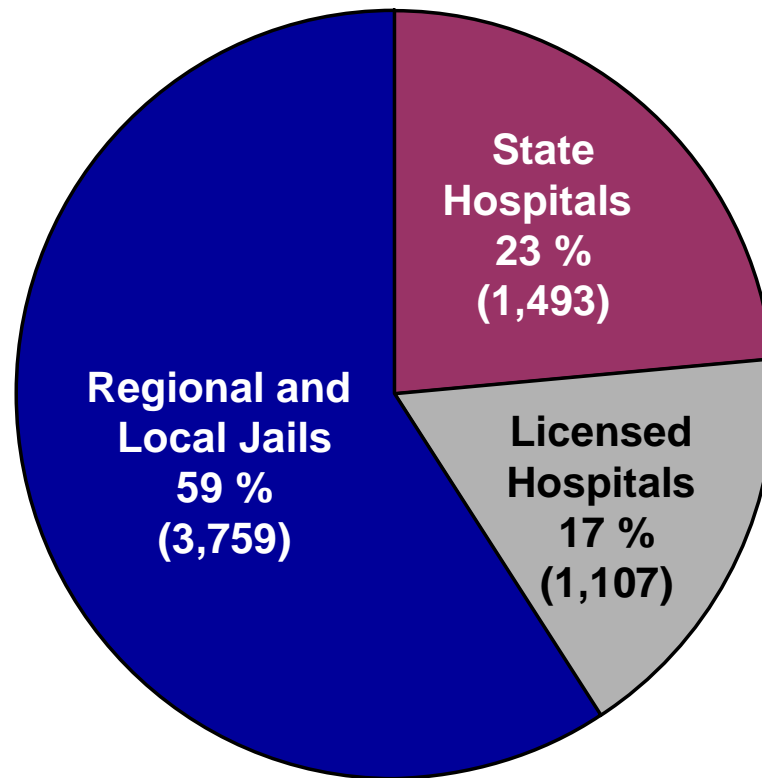
Recommendation

- The State Mental Health, Mental Retardation and Substance Abuse Services Board should develop regulations to institute preadmission screening as directed by § 37.2-823 of the *Code of Virginia* and use these regulations to establish admission criteria

State Hospitals Serve Two Classifications of Patients

- **Civil patients** admitted through the involuntary civil commitment process or seeking voluntary admission
- **Forensic patients** detained through the criminal justice system and admitted to State hospitals
 - Mental health evaluations
 - Restoration to competency for trial
 - Not Guilty by Reason of Insanity

Jails Serve More Persons With Mental Illness Than State Hospitals and Licensed Hospitals



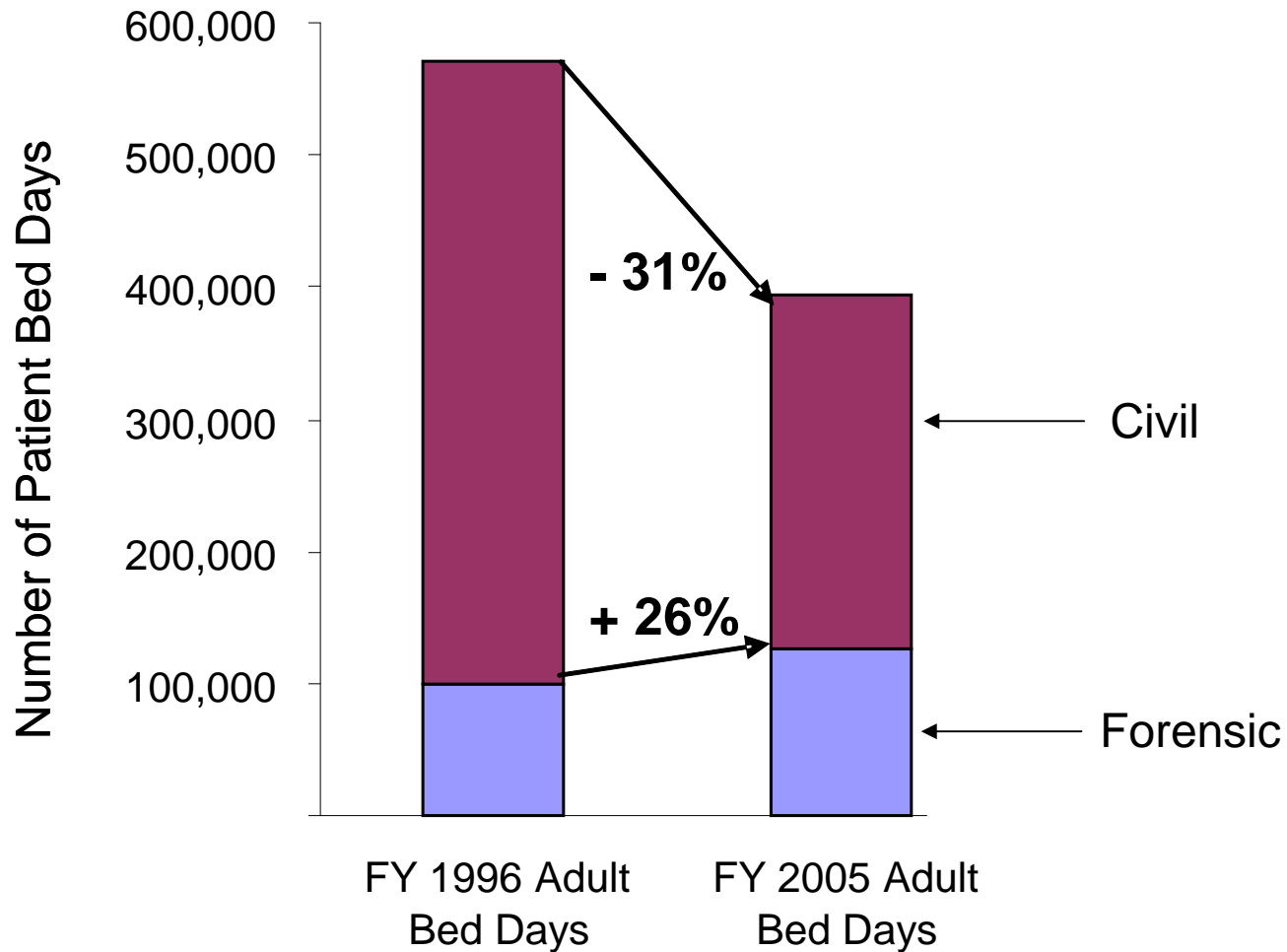
One-day snapshot for
September 13, 2005

Source: Virginia Health Information & DMHMRSAS data, Compensation Board survey

Virginia Has Attempted to Reduce the Number of Mentally Ill in Jails for Many Decades

- “I have visited our lunatic asylums...and it is to be regretted, that so many of the unfortunate class for whose benefit they are designed, should be confined in jails” – Governor Gilmer, 1841
- Persons with mental illness in jails vs. State hospitals
 - 1936 1:6 ratio
 - 2005 5:2 ratio
- 29 of 67 jails reported that the CSB did not provide any mental health services

Forensic Patients Are Utilizing An Increasing Proportion of State Hospital Bed Days



Recommendation

- DMHMRSAS should initiate formal planning to project the number of civil and forensic beds provided in each State hospital. This should be done collaboratively with agencies in the criminal justice system to adequately plan for forensic bed needs

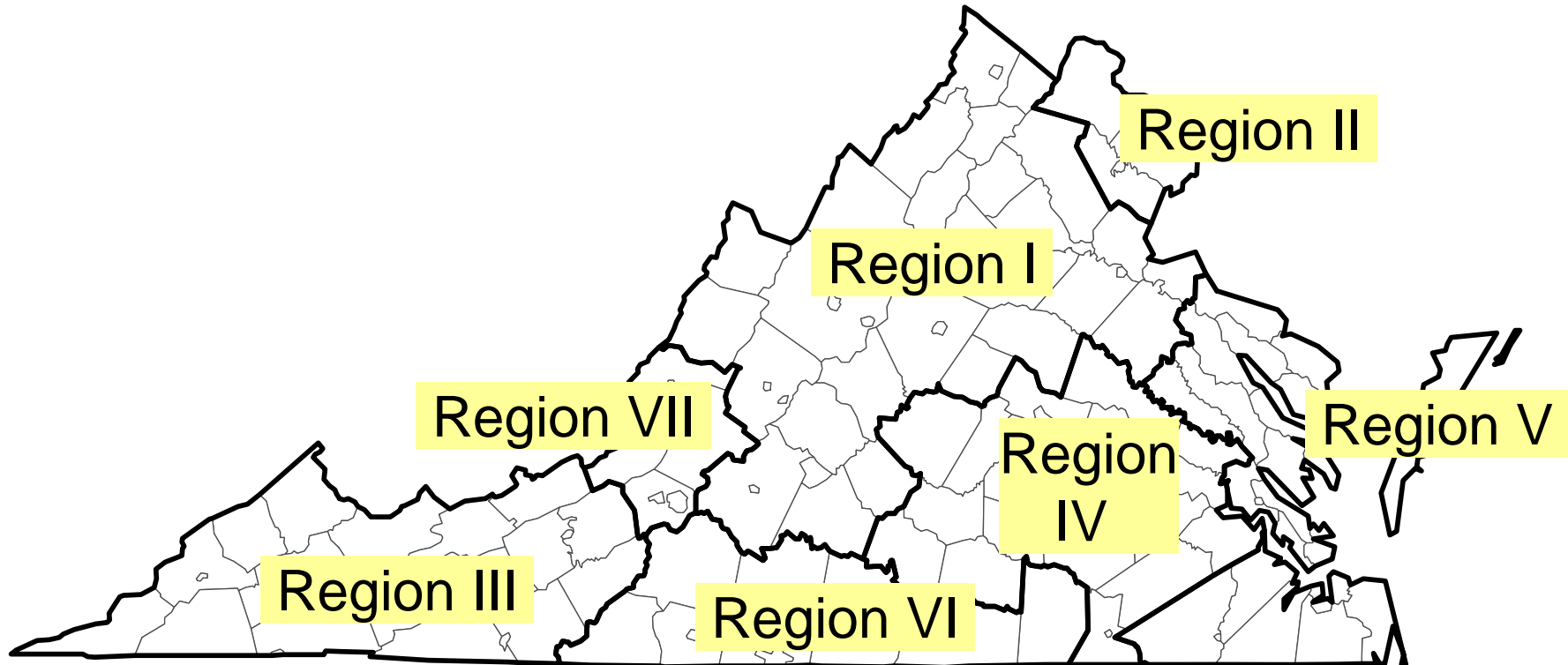
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Use of Licensed Hospital Beds Allows State Hospital Bed Reductions

- Addressed Justice Department settlements
- Since 2003, CSB regional partnerships have purchased beds in licensed hospitals through Local Inpatient Purchase of Services (LIPOS)
- In each regional partnership, a committee of CSB representatives
 - Determines a patient's eligibility for LIPOS
 - Makes State hospital admission decisions

Regional CSB Partnerships Now Manage Some Mental Health Services



Concerns about LIPOS Affect Willingness of Licensed Hospitals to Contract With CSBs

- Regional programs have different procedures and eligibility requirements
 - Licensed hospitals state that variation appears arbitrary
- DMHMRSAS has not issued guidelines on use of funds or eligibility criteria
- DMHMRSAS does not collect data on persons admitted to State hospitals from LIPOS, or denied admission

Recommendations

- DMHMRSAS should issue guidelines outlining the purpose of LIPOS and what services can be purchased
- DMHMRSAS should provide guidance to CSBs on eligibility requirements
- DMHMRSAS should work with CSBs to develop a data submission system to report information on patients using LIPOS, and on State hospital admission and denials

Roles and Responsibilities of CSB Regional Partnerships Are Not Established in Statute

- Act as gatekeepers for State hospital admission
- *Code of Virginia* does not recognize these partnerships
- Partnerships have assumed duties assigned to others in statute
 - § 37.2-805 assigns State hospital prescreening to CSBs
 - § 37.2-840 assigns transfers to State hospitals to DMHMRSAS Commissioner

Recommendation

- The General Assembly may wish to consider amending § 37.2-512 of the *Code of Virginia* to clarify whether joint agreements between community services boards can be used to form regional partnerships. The General Assembly may wish to further clarify whether regional partnerships of community services boards may make decisions regarding State hospital admissions.

Key Findings

- Overall number of psychiatric beds appears adequate, but there may be shortages for persons with behavioral problems and for children and adolescents
- Additional community services could reduce the need for psychiatric beds in licensed hospitals, but a shortage of psychiatrists could hinder expansion
- Most licensed hospitals reported unreimbursed costs and this could lead to a further reduction of psychiatric beds

Key Findings (continued)

- Changes to Medicaid rate-setting process may be warranted to better reflect hospital costs and the effect of inflation on rate paid to psychiatrists
- Responsibility of State hospitals needs to be clarified
- Authority and responsibilities of CSB regional partnerships need to be clarified

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Copies of these slides are available on our website and on the table by the door.

