



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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Co-Chairman Walter Stosch
Co-Chairman Charles Colgan
Senate Finance Committee

Chairman Chris Jones
House Appropriations Committee

Dear Chairmen:

This letter is in response to the study mandate in item 298.D of Chapter 2 of the Virginia Acts of the Assembly for the 2014 Special Session I. The mandate requires the Department of Medical Assistance Services (DMAS), in consultation with the Department of Behavioral Health and Developmental Services (DBHDS), to “review the current rate that is paid for medical costs associated with involuntary mental health commitments. The review shall assess whether the current rate paid for medical services is adequate to serve individuals who may require highly specialized staffing and treatment needs while under detention.”

The current per diem rate for Temporary Detention Order (TDO) inpatient services is the same as the per diem rate for Medicaid psychiatric inpatient services for each hospital. Reimbursement for non-Medicaid individuals receiving inpatient psychiatric services as a result of a TDO are paid from all general funds. Medicaid members who receive psychiatric inpatient services as a result of a TDO are not tracked separately but are included with other Medicaid psychiatric inpatient services.

Medicaid rates are based on 84 percent of Medicaid costs per day in the base year inflated to the rate year subject to actions by the General Assembly to limit inflation. Individual hospital rates are adjusted by regional or hospital-specific wage differences used by Medicare. The current base year is fiscal year (FY) 11 and the only inflation that has been given was 2.6 percent in FY13. As a result, the de facto percent of cost reimbursed is closer to 76 percent in FY15. Assuming that the Medicaid psychiatric inpatient cost per day is the same as the TDO inpatient cost per day, the current inpatient psychiatric rates would have to be increased 32% to cover either Medicaid or TDO costs per day.

TDO inpatient costs per day, however, may be lower or higher than Medicaid inpatient psychiatric costs per day. Individuals hospitalized under a TDO will typically receive the same treatments as those otherwise admitted in terms of medications and therapies. However, the nature of the required risks to meet the criteria for a TDO as well as the fact that the admission had to be accomplished involuntarily will more commonly result in a greater need for special observations and support from unit staff as well as more frequent assessment and intervention from Nursing and Medical staff. Also, the documentation for the involuntary hearing preparation is additional and expedited. Unit staff attendance at the hearing is also required. There is often more activity around assisting the individual with the hearing and facilitating visits with the Community Service Board (CSB), advocates and legal representation. Depending on the date of the admission and the next hearing date, sometimes the turnaround time for this to happen can be 24 hours.

In order to evaluate the relationship between TDO and Medicaid psychiatric costs per day, DMAS compared TDO inpatient charges per day to Medicaid inpatient charges per day. If TDO inpatient charges per day are higher than the Medicaid inpatient charges per day, the TDO costs per day are higher than Medicaid costs per day. Because charges vary by hospital and region, DMAS created an index to represent this relationship between TDO and Medicaid charges per day for each hospital furnishing inpatient TDO services. The results are in Attachment A.

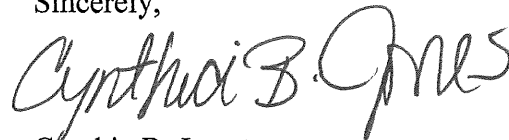
In the 12 month period December 1, 2012 to November 30, 2013 (this is the last 12 month period before the transition of Medicaid claims from the Medicaid Management Information System (MMIS) to the Behavioral Health Services Administrator), 32 hospitals furnished 7,483 TDO service days. In 27 out of 32 hospitals, the TDO charges per day exceeded the Medicaid psychiatric charges per day. The experience ranges from St. Mary's Hospital of Richmond where TDO charges per day were 1.58 times Medicaid psychiatric charges per day to Novant Health Prince William Hospital where TDO charges per day were 0.75 times Medicaid psychiatric charges per day. On average across the Commonwealth, TDO charges per day were 1.17 times Medicaid psychiatric charges per day. DMAS concludes that TDO costs per day are also 17 percent higher than Medicaid psychiatric costs per day.

This study does not confirm that the higher costs are a result of highly specialized staffing and treatment needs. That is one possible explanation. Another possible explanation may be differences in the average length of stay. For most inpatient psychiatric stays, the cost per day is higher at the beginning of the stay and declines over time. The 2 day average length of stay for TDOs is shorter than the 6.1 day average length of stay for Medicaid because TDO stays were limited to two days during the study period. So if TDO stays are limited to two days and the average Medicaid stay is longer, it would be reasonable to expect TDO costs per day to be higher. The maximum length of stay for TDOs was increased to three days effective July 1, 2014. It is possible that this may reduce the difference in cost per day that was experienced in the analysis period.

In the 12 month period ending November 30, 2013, DMAS paid \$6,663,667 for TDO inpatient services. If the General Assembly wanted to reflect the 17 percent cost difference between TDO and Medicaid psychiatric services in the rates, it could establish TDO per diem rates 17 percent higher than Medicaid per diem rates for psychiatric services. This would cost \$1,719,173 in FY16. If the General Assembly wanted to fully cover the costs for TDO services, rates would have to be increased an additional 32 percent, which would cost an additional \$3,736,406 annually. These cost estimates reflect a 52% increase in TDO utilization between the analysis period and FY16, primarily due to the increase in TDO length of stay from 48 hours to 72 hours. DMAS would have to make system changes to accommodate separate rates for Medicaid inpatient psychiatric and TDO services. Any increase in TDO rates would not apply to Medicaid rates for Medicaid members who receive inpatient psychiatric services as a result of a TDO.

Other TDO psychiatric services already vary by intensity so no additional evaluation was needed. If there are any questions about the findings, please contact William Lessard, Director of Provider Reimbursement, at 804-225-4593 or William.lessard@dmas.virginia.gov.

Sincerely,



Cynthia B. Jones

CBJ/wjl

pc: The Honorable William A. Hazel, Jr., MD
Secretary of Health and Human Resources

Attachment A - TDO Intensity Report				
Provider Name	Medicaid Psych Charges Per Day	TDO Charges Per Day	TDO Days	Index of TDO Charges per day to Medicaid charges per day
ALLEGHANY REGIONAL HOSPITAL	2,310.16	2,430.37	37	1.05
AUGUSTA MEDICAL CENTER	1,166.98	1,610.58	134	1.38
BRISTOL REGIONAL MEDICAL CTR	1,295.42	989.51	375	0.76
CARILION MEDICAL CENTER	1,418.68	1,791.89	576	1.26
CARILION NEW RIVER VLY MED	1,483.55	1,505.18	711	1.01
CHIPPENHAM JOHNSTON-WILLIS	3,769.28	5,187.38	255	1.38
DANVILLE REGIONAL MED CTR	2,318.99	3,340.69	227	1.44
INOVA FAIRFAX HOSPITAL	2,150.45	2,440.28	140	1.13
JOHN RANDOLPH MEDICAL CENTER	3,497.84	4,282.92	147	1.22
LEWIS-GALE HOSPITAL INC	2,606.82	3,034.61	306	1.16
LOUDOUN MEMORIAL HOSP	1,999.89	2,681.32	127	1.34
LOUISE OBICI MEM HOSPITAL	2,650.72	3,383.59	98	1.28
MARY WASHINGTON HOSPITAL	2,179.89	3,015.37	391	1.38
MARYVIEW HOSPITAL	1,469.99	1,634.68	613	1.11
MEDICAL COLLEGE OF VIRGINIA	2,584.01	2,821.15	186	1.09
MEM HOSP MVLLE-HENRY CO	2,181.92	2,686.72	106	1.23
MOUNT VERNON HOSPITAL	1,431.73	1,835.71	308	1.28
NOVANT HEALTH PRINCE WILLIAM MEDICAL CTR	2,276.11	1,697.33	223	0.75
RAPPAHANNOCK GEN HOSP	1,413.46	1,357.29	103	0.96
RICHMOND COMMUNITY HOSP	1,708.82	2,155.63	365	1.26
ROCKINGHAM MEMORIAL HOSP	2,169.85	2,481.99	246	1.14
RUSSELL COUNTY MEDICAL CENTER	2,830.99	2,670.67	116	0.94
SENTARA NORFOLK GENERAL HOSP	3,012.65	3,728.21	126	1.24
SOUTHERN VIRGINIA REGIONAL MEDICAL CTR	3,070.97	3,082.32	48	1.00
SOUTHSIDE REGIONAL MEDICAL CENTER	4,145.13	5,061.91	230	1.22
SPOTSYLVANIA MEDICAL CENTER INC	1,882.13	1,521.78	95	0.81
ST MARYS HOSP OF RICH	1,751.00	2,767.59	197	1.58
TWIN COUNTY REGIONAL HOSPITAL	2,187.16	2,919.03	273	1.33
UNIVERSITY OF VIRGINIA HOSP	3,070.43	3,477.12	239	1.13
VA HOSPITAL CENTER ARLINGTON	1,735.00	2,021.94	119	1.17
VIRGINIA BAPTIST HOSPITAL	1,838.59	2,291.68	239	1.25
WINCHESTER MEDICAL CTR	1,697.99	1,767.51	127	1.04
STATEWIDE			7,483	1.17