

2009 Budget Request

RESTORE 2009 RTF TREND FACTOR- REDUCE UNECESSARY REGULATIONS AND RATE ADD-ONS INSTEAD

What:

The Governor proposes that the 19 licensed OMH residential treatment facilities (RTFs) wait three (3) years for their operating expenses to be fully reimbursed rather than the existing two (2) year inflationary correction. The Coalition asks the Legislature to reject the Governor's proposal to defer the 2009-2010 "trend factor" and instead take the necessary savings of \$1.1 million by eliminating regulatory mandates that resulted in Medicaid rate increases in excess of \$2.3 million.

Why:

Beginning in 1984, the Office of Mental Health added licensed Residential Treatment Facilities (RTFs) to the service array as a lower-cost alternative to state-operated children's psychiatric hospitals. The RTFs are not considered hospitals under federal Medicaid rules and therefore receive a much lower daily operating rate than do hospitals. Despite this, the Office of Mental Health has defined expectations for RTFs to adhere to hospital-based standards. By using the federal rules that apply to inpatient psychiatric treatment facilities that are not a hospital (IPRTs), the state has been able to effectively use the lower-cost nonprofit service sector to save millions in operating expenses. In fact, by instituting a reimbursement methodology that requires providers to lay out current operating expenses and wait two (2) years for a reconciliation of actual expenditures that are then trended forward slightly for inflation, the state has asked the nonprofit community to "front" the full operating expenses (food, prescription drug costs, capital costs, personnel costs, clinical treatment costs, heat, cooling and maintenance costs) relating to the care and treatment of severely emotionally disturbed children and youth. Now, the Governor proposes to make these providers wait THREE YEARS to fully recoup their initial expenditure, while at the same time providing consistent, high

quality care to the children currently residing in the facilities.

Since 1995, the number of RTFs (19) and the number of RTF beds (539) has remained static. In 2007, OMH mandated that RTFs comply with a regulatory directive in EXCESS of the federal IPRT operating regulations and provided a supplement to RTF rates **in excess of \$2.3 million**. The eighteen (18) RTFs that are members of the Coalition strongly opposed the mandate, both on principle and because of the compliance challenges. The mandate, to contract for 24-hour on-call services of child psychiatrists and physicians *solely for the purpose of authorizing physical holds*, does not in any way enhance quality of care and in fact, exceeds federal requirements which allow other licensed medical professionals, such as nurses, to fulfill this role. Nurses are already on staff 24 hours per day at all RTFs. Recently, 14 child psychiatrists employed at RTFs signed-on to a letter to the OMH Director of Medical Services in the Children's Bureau, urging reconsideration of the costly, ineffective and unnecessary mandate.

Legislative History:

The Legislature will achieve and/or exceed the Governor's proposed savings of \$1.1 million and continue its support for parity in state policy regarding physical holds. The Legislature has already created, through statute, a Crisis Intervention Review Committee, because they understand that different state agencies require different standards relating to physical holds. By urging regulatory reform when state requirement exceed federal rules, the Legislature will bring disparate state agency regulations closer to parity.

Action

Please write a letter to Assembly Mental Health Chair Peter Rivera and Senate Mental Health Chair Shirley Huntley requesting to make this their top budget

request. Savings will still be achieved by swapping the RTF trend factor freeze with a rate adjustment for a regulatory mandate that even child psychiatrists believe is not enhancing the quality of care in RTF.