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*Maine People Living
Safe, Healthy and Productive Lives*

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Equalization of MaineCare Reimbursement Rates

Inpatient Substance Abuse vs. Inpatient Psychiatric Treatment

July, 2012

Submitted by the:

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Background:

Due to the implementation of DRG reimbursement on 7/1/2011 inpatient substance abuse services are now reimbursed at a much lower rate (avg. rate of \$3,211 per discharge) than inpatient psych hospitals which are paid a flat rate (typically \$6,439 per discharge). As a result of this disparity PL 1746 directs the Commissioner of the Department of Health and Human Services (DHHS) to review MaineCare reimbursement rates for inpatient substance abuse treatment and inpatient psychiatric treatment provided by community hospitals. The Commissioner shall report to the Joint Standing Committee on Appropriations and Financial Affairs and to the Joint Standing Committee on Health and Human Services not later than July 1, 2012 on the results of the review, including findings regarding the **levels of services being provided** and the **levels of reimbursement**, and an analysis of **how the current reimbursement rates are calculated**. The report **must include a plan for correcting any inequities**.

Level of services being provided:

Inpatient Substance Abuse Services: Mercy and St. Mary's are the only two inpatient substance abuse treatment centers in the State of Maine. Specialized services include detoxification with the latest medications and comfort measures, group therapy, medical management and treatment of withdrawal symptoms, and long-term therapies designed to reduce an individual's chance of relapse. The inpatient substance abuse program will often take individuals with medical issues who are not eligible for a community based program. The average length of stay is 3.02 days.

Inpatient Psychiatric services: There are several hospitals throughout the State of Maine that have inpatient psychiatric services including Maine Medical Center, Maine General, MidCoast, Northern Maine Psych, Penobscot Bay, St. Mary's, Southern Maine Medical Center and The Aroostook Medical Center. Specialized hospital services are offered to individuals in psychiatric crisis. Services include keeping a patient safe, monitoring the effects of medication if needed, both individual and group therapy for education on coping and life skills and developing a plan for follow-up care. The average length of stay is 5.41 days.

Current levels of reimbursement:

Inpatient Substance Abuse Services: As of July 1, 2011 the State of Maine adopted the Diagnosis Related Group (DRG) reimbursement system for inpatient hospital reimbursement. The DRG system has been implemented by Medicare and most state Medicaid Programs to provide a more rational method of payment for acute inpatient hospital services. The DRG system is designed to pay providers a similar rate for similar services. By using a predetermined rate it rewards providers that treat patients efficiently and it incentivizes the hospital to contain cost and provide efficient care. Extraordinarily costly stays receive additional payments called cost outliers. Mercy and St. Mary's are paid an average of \$3,211 per discharge for inpatient substance abuse services.

Inpatient Psychiatric Services: Most inpatient psychiatric services are paid at a negotiated flat rate of \$6,439 per discharge.

Current Reimbursement rate calculations:

Inpatient Substance Abuse Services: Under the DRG reimbursement system reimbursement is calculated by multiplying a state wide hospital base rate of \$4,722 by a weight for each service. Reimbursement for inpatient substance abuse would be estimated at \$4,722 x average weight of .68 = \$3,211. These services are not reported separately on the Medicare cost report.

INPATIENT SUBSTANCE ABUSE		
DR G	Description	Weight
894	Alcohol/drug abuse or dependence, left ama	0.34
895	Alcohol/drug abuse or dependence w rehabilitation therapy	0.86
896	Alcohol/drug abuse or dependence w/o rehabilitation therapy w MCC	1.03
897	Alcohol/drug abuse or dependence w/o rehabilitation therapy w/o MCC	0.48
TOTAL		2.72
AVERAGE		0.68

Inpatient Psychiatric Services: Currently most providers are reimbursed at a flat rate of \$6,439 per discharge. Due to the critical nature and the lack of access to these services it was determined that inpatient psychiatric services should be treated as a distinct service and reported separately on the Medicare cost report. This allowed reimbursement rates to be set based on cost.

Corrective Action:

The corrective action plan has both a short term and a long term component:

Short Term: Recalculate the inpatient substance abuse rate based on the psychiatric services rate and adjust this rate to account for the difference in average length of stay between the two programs. The average length of stay for inpatient psychiatric treatment is 5.41 days. The average inpatient substance abuse length of stay is 3.02 days or 56% (3.02/5.41). This would increase inpatient substance abuse reimbursement by \$447 per case to \$3,606 (\$6,439 x 56%). St. Mary's and Mercy are the only two facilities who provide this type of service in Maine. These programs deal with complex populations from all over Maine. There is a large population of opiate addicts with co-occurring disorders who are not eligible for a lower level of care. Patients can be admitted on a 24/7 basis. If this change were implemented the total fiscal impact would be approximately \$1.5 million annually. This temporary step is necessary in order to deal with the possible closure of Mercy's critical inpatient substance abuse center due to large operating losses. The loss of one of only two inpatient substance abuse providers would have a detrimental impact on access to these services. The provider would need to segregate the cost of inpatient substance abuse on the Medicare cost report.

Long Term: Thoroughly review inpatient DRG claims data to determine the feasibility of equalizing the inpatient psychiatric services rate and the inpatient substance abuse rate by adopting the DRG reimbursement methodology for both services. DHHS will need to determine if the DRG and outlier payments would adequately compensate the provider for inpatient substance abuse and inpatient psychiatric services. At the present time we don't have sufficient claim detail to make this determination.