

Proposed Reallocation of MIDD 2017-2018 Initiative Funding

ISSUE

As the behavioral health system moves towards full integration with physical health care, there will be more emphasis placed on value-based purchasing. In addition, the uncertainty around Medicaid rates for the state 2018-2019 fiscal year has highlighted the need to prioritize maintaining and strengthening core behavioral health services in the community.

While DCHS staff has been working with the state on possible mitigation strategies that will begin to address long-term structural issues regarding rates, action at the local level is also essential to prepare the community behavioral health system for full integration. Incentives are needed to help providers move toward a more value-based, integrated system, but any incentive structure must maintain and not undermine the already under-resourced core behavioral health services in the community.

PROPOSAL

To address these issues, DCHS proposes to repurpose certain MIDD dollars to the following priorities:

Create an incentive pool to support system transformation – As value-based purchasing approaches are being initiated, and the physical/behavioral health integration transition proceeds quickly, there is a need to identify funding to be utilized for incentive pay to providers to help move the system forward in certain key ways. Historically, Medicaid dollars have been utilized to create incentives for providers. However, with reductions to Medicaid rates constraining the potential to provide incentives, there is a need to identify other funding streams that do not jeopardize dollars that are already committed to core programs. As a result, some Medicaid funds along with some MIDD dollars are proposed to be used together to support system progress in key areas. Incentive categories currently under consideration for this Medicaid/MIDD incentive pool include:

- rapid access to treatment;
- new or expanded physical/behavioral health integration (PBHI) partnerships and/or commitment to a PBHI learning collaborative;
- functional assessment implementation and associated measurable client improvement; and
- improving health screening and coordination.

Maintain core behavioral health services – The 2018-2019 fiscal year state budget contains reductions to the core Medicaid rates that are received by King County. While the state has attempted to provide limited funding to mitigate these reductions, there remain significant concerns that the available dollars will not be accessible for their intended use and are insufficient to address the needs of an already underfunded system. In response, and in alignment with stakeholder input, DCHS proposes prioritizing identified MIDD dollars to help maintain core services that may be affected by the current funding environment, most significantly by creating strategic incentives that reinforce and improve the community treatment system.

Potential dollars available from MIDD:

- **Place certain new MIDD Initiatives on hold and repurpose savings** – Two MIDD initiatives have been identified as not being launched. With the uncertainty around the ACA earlier this year, along with the need to secure non-MIDD funding to support the programming and conduct complex siting efforts, initiatives CD-04 (South County Crisis Diversion) and CD-09 (Behavioral Health Urgent Care Walk-In) were put on hold for 2017-18 and have not yet launched. This decision yielded \$2,545,000 in 2017-18 funding for potential repurposing.
- **Identify available 2017 funding from initiatives that were delayed and are not expected to launch in 2017, and repurpose savings** – A variety of new MIDD initiatives were slated for implementation in 2017 but were delayed, although implementation may proceed in 2018. The amount of funding available for repurposing from 2017 was \$1,697,113.
- **Use \$3,157,928 in Quality Coordinated Outpatient Care (QCOC), formerly Workload Reduction, dollars set aside for 2018** – The Workload Reduction Initiative in its current form is undergoing a redesign process, as the MIDD 1 program model is set to end at the end of 2017 after provider payments are stepped down in fourth quarter 2017. The MIDD initiative has approximately \$4 million set aside each year to fund the initiative. In order to provide a soft landing for current providers, DCHS has elected to utilize approximately \$750,000 of the 2018 allocation during 2017, leaving approximately \$3.2 million to be allocated in 2018 for incentives.
- **Utilize MIDD dollars for Medicaid match** – The initial Medicaid rates shared by the state placed King County at the top of the actuarially allowable rate band, which would have prevented the use of MIDD to draw down additional Medicaid funding. However, the state has recently released final contracted rates for BHOs which include adjustments that allow for approximately \$2 million per year in Medicaid match to be drawn down. DCHS plans to maximize its potential Medicaid match drawdown. **Note: Once dollars are used for match, they become subject to Medicaid regulations and lose their local flexibility.**
- **Monitor spending on MIDD and identify potential underspend** – In addition to the initiatives identified above, DCHS continues to monitor spending on all MIDD initiatives to identify areas of potential underspend. Any potential underspend is recommended to be utilized for incentives or to address needed gaps in core behavioral health services. Underspend on currently operational initiatives is estimated at 1%, totaling \$1.3 million for the biennium.

Current Projected Funding Available for 2018

2,545,500	New MIDD Initiatives CD-04 and CD-09 on hold
1,697,113	Other new MIDD initiatives delayed for 2017, launch expected in 2018
3,157,928	Unallocated 2018 funds from MIDD SI-03 QCOC (formerly Workload Reduction)
1,300,000	Projected 1% underspend in existing MIDD initiatives
8,700,541	Total estimated MIDD funding for 2018
2,000,000	Additional Medicaid match
10,700,541	Total estimated funding for 2018