

Minutes of the Joint Legislative Oversight Committee

January 18, 2016

Lincoln Auditorium, Capitol, Boise, Idaho



Cochair Senator Cliff Bayer called the meeting to order at 4:00 p.m. Attending the meeting were Senators Steve Vick, Michelle Stennett, Cherie Buckner-Webb and Representatives Maxine Bell, Gayle Batt, and Elaine Smith. Representative John Rusche was participating in the meeting through conference call. Also present were Rakesh Mohan, director, Margaret Campbell, administrative coordinator; and other OPE staff. Audience members included the following:

Senators Lee Heider, Dan Johnson, and Dan Schmidt
Representative Ken Andrus, Eric Redman, Mat Erpelding
Sharon Harrigfeld, Director, Department of Juvenile Corrections
Lisa Hettinger, Division of Medicaid Administrator, Department of Health and Welfare
Becky DiVittorio, Optum Idaho

Approval of minutes

Representative Smith moved to approve the minutes of the meeting on December 16, 2015. Senator Stennett seconded the motion, and it passed by voice vote.

Report release: *Design of the Idaho Behavioral Health Plan*

Representative Bell moved to receive the report *Design of the Idaho Behavioral Health Plan*. Senator Vick seconded the motion, and it passed by voice vote.

Cochair Bayer called on Rakesh to introduce the report. Rakesh said the Oversight Committee assigned this report toward the end of the last legislative session. This was a complex, big project that addressed a 3-year contract estimated at \$300 million and involved important mental health services to a vulnerable population. The team interviewed more than 100 service providers in all regions and analyzed a data set that consisted of nearly 6 million rows of data from the department and Optum. He thanked the Department of Health and Welfare, Optum, and service providers. Providers helped the team understand how design of the plan affected them and their patients.

Lance McCleve, principal evaluator, Ryan Langrill, senior evaluator, summarized findings and recommendations of the report. They concluded that managed care had emphasized the Legislature's and the Department of Health and Welfare's goal of evidence-based practices. Managed care had also addressed the department's concerns about the state's overreliance on psychosocial rehabilitation.

Services for psychosocial rehabilitation grew dramatically after the department moved responsibility to providers for developing and regulating treatment plans in 2002. Costs for psychosocial rehabilitation increased ninefold—from \$8.3 million in 2001 to \$76.1 million in 2012. In response, the Legislature directed the department to move outpatient behavioral health services to managed care—a system that could improve member health outcomes while controlling costs.

The Idaho Behavioral Health Plan went live in September 2013 under contract with Optum. The behavioral health plan reduced spending on psychosocial rehabilitation and increased spending

on other services, most notably family therapy. Overall savings came from reduced spending per person, not from reducing the number of members receiving services.

The department's focus on evidence-based processes was more successful in reducing psychosocial rehabilitation than it was in expanding services. The department had hoped managed care would strengthen the full range of member treatment by investing savings in communities. However, the investment proved more difficult than the department had planned. The department and Optum were working to create a modified spending plan for the savings.

Evaluators outlined three lessons learned in the design and implementation of the Idaho Behavioral Health Plan: (1) plans and choices for key aspects of new programs needed to be clearly communicated—evaluators found a widespread lack of understanding within the department of why initial managed care decisions were made; (2) program design needed to be well developed before going to contract; and (3) differences between program design and vendor's products needed to be expected—plans for necessary adjustments needed to be made up front.

The department excluded inpatient services from the managed care system to focus on reforming outpatient services. With the progress the department had made, it faced another major decision—whether to expand managed care to include inpatient services. Idaho was the only state that included only outpatient care, and evaluators pointed to potential benefits from including inpatient services and also risks given the vulnerability of the population being served. Evaluators recommended a formal evaluation to include inpatient care that would help the department improve its program design process, apply lessons learned from the behavioral health managed care effort, and improve its planning process for future efforts.

Senator Stennett, referring to a widespread lack of understanding of managed care decisions, said the department was at a disadvantage from the beginning and initial research would have gone a long way. She asked about the cost to bring on new department personnel with qualifications to navigate the contract successfully. Lance clarified that he was unable to glean the reasons for contracting decisions (e.g., why decisions were made, what were the expectations at the time) because the department's contracting staff almost completely turned over since the contract had begun. Decisions were not documented, so the historical knowledge was gone, affecting organizational learning for moving forward. He said this finding had been incidental, so he did not look at costs.

Senator Stennett said the psychosocial rehabilitation savings may not have been as much after factoring in training of all new personnel. Lance clarified that savings (annualized at about \$28 million) went back into managed care and reallocated to another better-suited service. This reallocation strongly affected changes in the provider network and community.

Representative Batt suggested a summary of lessons learned should be passed along to the purchasing committee. Rakesh said he had planned to send a letter, report, and summary of lessons learned to the interim committee with an offer to present report. He referred to his transmittal letter in the front of the report that discussed findings as they related to contracting.

Senator Buckner-Webb asked whether timely communication was built into the contract. Lance said communication was built into the contract—sometimes specifically about where responsibility lay and other times nonexistent or vague. Senator Buckner-Webb asked if contract communication was prescribed, an onerous task compounded by turnover in department staff. She also asked about costs to hire and train new staff. Ryan said the contract gave Optum responsibility to communicate with Medicaid members and providers, with the frequency of

communication dictated by the department. The department was responsible for reviewing communication before it was sent out. Some of the turnover was high-level staff not related to the Idaho Behavioral Health Plan and some was the contract team. He said he did not look at costs to hire and train new staff.

Representative Rusche asked whether inpatient costs at State Hospital North and State Hospital South were included in the analysis of Medicaid spending on behavioral health services. Ryan said no—he only included services billed to Medicaid, which included some services (community hospital inpatient) from State Hospital South.

Representative Rusche clarified and the team agreed that psychosocial rehabilitation grew because the department paid for it but did not manage it. Rather than work on a plan for better care or overall cost management, the department designed the plan to reduce psychosocial rehabilitation, and Optum basically did what the department asked.

Besides having a broader view of what appropriate care management would be, Representative Rusche said the report recommendation would ensure the department obtain adequate expertise for managed care, utilization management, and network management in the planning process. Lance agreed and said the report discussed two kinds of needed expertise: (1) contracting and business skills and (2) managed care. Using staff who delivered the program to design the contract is a common mistake going into a contract. Contracting and business skills for contracting were a different set of skills from program administration. Managed care expertise would be needed for a wider view of managed care and alternative tools.

Representative Rusche indicated the department's expertise was fee-for-service management, which was not transferable to managed care.

Cochair Bayer asked if anyone from the Office of the Governor wanted to respond to the report. With no response, he invited Lisa Hettinger, administrator, Division of Medicaid, Department of Health and Welfare, to respond to the report. Ms. Hettinger said several questions had been asked that she could elaborate more on; however, in light of the hour, she would make herself available after the meeting. Cochair Bayer said he would do what he could to make those questions available and distribute the answers to the committee.

Cochair Bayer invited Becky diVittorio, executive director, Optum Idaho, to respond to the report. She read excerpts of her formal response, which was provided in the back of the report.

Representative Batt said the term that Ms. diVittorio used for idle money was vague. She asked when Optum would have something definitive and who would be approving the plan to reallocate the extra money. Ms. diVittorio said Optum evaluated spending each year, and in December, after collecting all due invoices, it had established a level of savings from the last state fiscal year (in prior state fiscal years, Optum had not achieved that level of savings). She said the Legislature would start to hear about provider change management in the third quarter of the state fiscal year with requests for proposals from community organizations, and Optum would be working with the department to invest in the continuum of care.

Rakesh said the governor and department provided supportive responses to the findings and recommendations. In its response, the department agreed to implement the recommendation to formally evaluate inpatient services by the end of this year. Rakesh recommended releasing a follow-up during the 2017 legislative session. He said he had provided the report to germane committee chairs and would be talking with each chair about presenting it. Tomorrow morning the office would be presenting the report to JFAC.

Representative Bell said she was grateful for the summary page. In looking at the trend from 2002 to 2013, she said she was horrified but grateful that spending trends were under control.

**Representative Bell moved to conduct a follow-up report in one year.
Representative Smith seconded the motion, and it passed by voice vote.**

Other business

Rakesh said the office was planning to hold a meeting the week of February 22 to release a report on administrative hearing officers and a follow up to the report *Confinement of Juvenile Offenders*.

The meeting adjourned at 5:20 pm.