

October 4, 2023

Texas Health and Human Services Department
Victoria Grady, Director of HHSC Provider Finance Department
Mail Code H-400
P.O. Box 149030
Austin, TX 78714-9030

Via electronic mail to pfd_hospitals@hhsc.state.tx.us

RE: Request to HHSC regarding Inpatient Psychiatric Hospital Rates

Dear Ms. Grady,

On behalf of the Texas Association of Behavioral Health Systems (“TABHS”), we are writing to respectfully request that HHSC develop an exceptional item request for funding from the Texas Legislature and increase inpatient psychiatric hospital Medicaid rates. As HHSC is aware, inpatient psychiatric hospital Medicaid rates have not increased in Texas since 2008 and in fact, the Legislature *decreased* the rates by 8% in 2011. These 15-year old rates are unsustainable. HHSC must act now to protect and support the Texas behavioral health safety net.

TABHS represents behavioral health systems that operate non-State-owned freestanding psychiatric hospitals (also called “IMDs”) in Texas. IMDs are a critical component of the behavioral health safety net in Texas and help address the “revolving door of acute hospitalization, incarceration, homelessness and victimization” for patients with severe mental illnesses.¹

In a state as geographically spread out and as populated as Texas, private IMDs are essential to filling the gap between the demand for psychiatric beds and publicly available beds. A recent report from HHSC demonstrated a waitlist of 1,200 underserved adults for public mental health services with an average wait of 143 days (4 ½ months) before gaining access to public services.² Private IMDs currently provide around 90% of the total Medicaid inpatient psychiatric days in freestanding psychiatric hospitals. Without private IMDs, the waitlist and wait time for mental health services in Texas would be astronomical, with Medicaid beneficiaries feeling the brunt. Rural areas, where private IMDs serve a disproportionate number of individuals as compared to state hospitals, would suffer greatly.

¹ The Treatment Advocacy Center, The Medicaid IMD Exclusion and Mental Illness Discrimination, August 2016, *available at* <https://www.treatmentadvocacycenter.org/storage/documents/backgrounders/imd-exclusion-and-discrimination.pdf>.

² Texas Health and Human Services, Report on Waiting Lists for Mental Health Services, May 2023.

The demand for behavioral health services in Texas is high, unmet, and growing

The need for behavioral health services has never been greater. Over the past three years, data demonstrates dramatic and concerning rises in depression,³ substance abuse,⁴ and overdose deaths.⁵ For example, deaths due to drug overdose in Texas have increased from 9.5 per 100,000 in 2015 to 14.3 per 100,000 in 2020.⁶ In 2019, 10% of adults reported symptoms of anxiety and depression, but that proportion has increased to over 30% since May 2020.

We have also seen a dramatic increase in adolescent populations reporting anxiety and depression, which threatens to create a much longer-term crisis. As teens mature into adults, increased anxiety and depression could have much bigger consequences because they are the common thread for the diseases of despair that already plague Texas: drug abuse, alcoholism, and suicide.⁷

Unfortunately, mental health resources have not been able to keep up with Texas' needs. In a 2023 report published by Mental Health America, Texas ranked 50th (out of 51 states and territories) in a survey evaluating youth with major depression who did not receive any mental health treatment.⁸ The survey highlighted that three-quarters of youth with major depression in Texas did not receive any mental health treatment. Similarly, Texas ranked **last in the nation** in Mental Health America's overall mental health "access" ranking.⁹ This ranking reviewed "how much access to mental health care exists within a state" and evaluated nine separate measures, including adults with unmet needs, youth with unmet needs, and mental health workforce availability.

IMD Rates Significantly Lag Behind Other Hospitals and Comparable States

In general, Medicaid makes up about one-quarter of the total inpatient hospital days at Texas IMDs. Last year, private IMDs provided over 90% of the total Medicaid inpatient psychiatric days in freestanding psychiatric hospitals. However, the Medicaid rates for IMDs are insufficient to support the increasing demand for and costs of Medicaid patient treatment, which threatens to destabilize the behavioral health safety net in Texas. Private IMDs, in particular, are vital to Texas Medicaid beneficiaries.

Moreover, while short-term acute hospitals benefit significantly from supplemental Medicaid payments, the benefit for IMDs is drastically smaller. For example, in both the Texas

³ Catherine Ettman, et al, Persistent Depressive Symptoms During COVID-19: A National, Population-Representative, Longitudinal Study of U.S. Adults, *The Lancet Regional Health – Americas* 2022 (October 4, 2021), available at [https://www.thelancet.com/journals/lanam/article/PIIS2667-193X\(21\)00087-9/fulltext#seccesectitle0001](https://www.thelancet.com/journals/lanam/article/PIIS2667-193X(21)00087-9/fulltext#seccesectitle0001).

⁴ Mark Czeisler et al., Mental Health, Substance Use, and Suicidal Ideation during the COVID-19 Pandemic — United States, *Centers for Disease Control and Prevention, Morbidity and Mortality Weekly Report* (Vol. 69, No. 32 April 14, 2020), available at <https://www.cdc.gov/mmwr/volumes/69/wr/pdfs/mm6932a1-H.pdf>.

⁵ Drug Overdose Death Rates, *National Institutes of Health, National Institute on Drug Abuse* (June 30, 2023), <https://nida.nih.gov/research-topics/trends-statistics/overdose-death-rates>.

⁶ KAISER FAMILY FOUNDATION (KFF), MENTAL HEALTH IN TEXAS, available at <https://www.kff.org/statedata/mental-health-and-substance-use-state-fact-sheets/texas/>.

⁷ Briony Marie DuBose & Eileen K. Fry-Bowers, *Achieving Access Parity for Inpatient Psychiatric Care Requires Repealing the Medicaid Institutions for Mental Disease Exclusion Rules*, 22 *Policy, Politics, & Nursing Practice* 62–72, 64 (Nov. 1, 2020).

⁸ Mental Health America, *The State of Mental Health in America* 2023, February 2023.

⁹ *Id.*

Uncompensated Care (“UC”) program and the Comprehensive Hospital Increase Reimbursement Program (“CHIRP”), IMDs cannot receive supplemental reimbursement for costs of treating Medicaid beneficiaries ages 21-64 due to an antiquated provision in the federal Medicaid statute (the “IMD Exclusion”). Further, we understand that HHSC will soon re-base standard dollar amounts (SDAs) for covered inpatient hospital services. As with supplemental payment programs, short-term acute hospitals will benefit from an SDA re-basing effort, but IMDs are not paid via SDAs so rebasing will have no impact to IMD base rates.

The last legislative increase for IMDs was in 2008, **but the Legislature then decreased the rates by 8% in 2011.** On average, the base Texas Medicaid rate for IMDs is \$533 per day. Generally, if keeping up with inflation since the rate was last adjusted in 2011, the base rate would be closer to \$717 per day for 2023, which is still less than Medicare and comparable states:

State/Program	Inpatient Psychiatric Rate	Comparison to Texas Medicaid
Texas Medicaid	\$533/day	--
Oklahoma Medicaid	\$596.91/day (before add-ons)	12% higher
Mississippi Medicaid	\$697.94/day (avg APR DRG)	31% higher
Louisiana Medicaid	\$737.63/day	38% higher
Arizona Medicaid	\$816.39/day	53% higher
Medicare	\$866/day	62% higher
New York Medicaid	\$1,241/day	133% higher

Increasing Medicaid rates for IMDs will strengthen the behavioral health safety net and research shows investing in behavioral healthcare can result in savings for the State.

As HHSC is aware, provider expenses have increased dramatically over the past several years. For behavioral health in particular, the statistics are staggering—more than half of the nation’s inpatient psychiatric facilities report *negative net operating margins*¹⁰ while 47% of the U.S. population lives in a mental health workforce shortage area.¹¹ From a workforce perspective, freestanding psychiatric hospitals are competing to recruit from a small pool of qualified practitioners and often have fewer resources than large general acute care hospitals with distinct part units.

Not only will increasing Medicaid rates help protect the fragile behavioral safety net, increasing rates should save Texas money in other areas. For example, research reviewed by the Office of National Drug Control Policy has shown that every dollar spent on substance abuse treatment saves \$4 in healthcare costs and \$7 in law enforcement and other criminal justice costs.¹² For Medicaid

¹⁰ National Association for Behavioral Healthcare, *The High Cost of Compliance: Assessing the Regulatory Burden on Inpatient Psychiatric Facilities* (March 19, 2019), available at <https://www.nabh.org/wp-content/uploads/2019/03/The-High-Cost-of-Compliance.pdf>.
¹¹ KFF, *A Look at Strategies to Address Behavioral Health Workforce Shortages: Findings from a Survey of State Medicaid Programs* (January 10, 2023).
¹² OFFICE OF NATIONAL DRUG CONTROL POLICY, *COST BENEFITS OF INVESTING EARLY IN SUBSTANCE ABUSE TREATMENT* (May 2012).

in particular, a study in Washington State found that patients who receive behavioral health treatment were 16% less likely to be arrested, and the likelihood of felony convictions dropped 34%, which contributed to additional cost savings for the state.

Finally, much has changed over the last 15 years and the leaders of Texas recognize the need for mental health resources. Governor Abbott has openly noted his commitment to “securing the resources and funding needed to address the challenges of substance abuse and mental health.”¹³ Governor Abbott recognizes the interplay between the mental health crisis and its impact on the overall health, safety, and success of the State of Texas. Additionally, the Texas Legislature appropriated \$30 million dollars in general revenue funds to HHSC in the 2021-2021 biennium for additional contracted private psychiatric beds for uninsured patients served by Local Mental Health Authorities (LMHAs). LMHAs contract with private facilities, typically private IMDs, for inpatient psychiatric beds. LMHAs pay private IMDs average rates between \$600 - \$700 per day for uninsured patients. This rate is significantly *higher* than the average Medicaid per diem rate of \$533 per day and significantly *lower* than the average per day cost of a state hospital bed of \$808 per day for 2022. Practically, this means Texas Medicaid pays the lowest amount per day out of any payor in the state, which is a natural consequence of the 15-year old rates in place.

Adequate Medicaid reimbursement and coverage for behavioral health is vital to address patient needs, the growing demand for behavioral health services, and skyrocketing costs. ***TABHS respectfully notes that current 15-year-old Medicaid rates are not sufficient to sustain the complex, customized care necessary to produce the most beneficial results for mental health patients.*** TABHS urges HHSC to adopt a more robust payment rate for IMDs and would appreciate the opportunity to engage with HHSC about rates during an in-person meeting.

We look forward to working with HHSC on this important issue and thank you for your time and consideration of this letter.

Sincerely,



Stuart Archer, MBA, FACHE
Chief Executive Officer, Oceans Healthcare
President, TABHS

CC: Trey Wood, Chief Financial Officer of HHSC

¹³ Office of the Texas Governor, July 2021 Press Release, Governor Abbott, HHSC Announce \$210 Million In Federal Emergency Funding For Behavioral Health Services, *available at* <https://gov.texas.gov/news/post/governor-abbott-hhsc-announce-210-million-in-federal-emergency-funding-for-behavioral-health-services>