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TO: Legislative leaders
FROM: NH Community Behavioral Health Association - NH's 10 Mental Health Centers
RE: Update on State Budget Reductions
DATE: April 26, 2010

Since the enactment of the current State operating budget, the Community Mental Health Centers (CMHCs) have seen a number of budget reductions, rule changes and other financial events that have harmed the stability of the community-based mental health system. These impacts have mainly grown out of the failure to budget for the current caseload increases that were predicted by the CMHCs and the Department of Health and Human Services (DHHS), but not accounted for in the budget passed last June. Since last July, Medicaid caseloads have increased by 10.3%, and Medicaid rates have been reduced by more than \$4 million (other estimates are as high as \$7.5 million).

In the budget modification proposed by Governor Lynch in recent days, there are some reductions that will harm mental health consumers, although this \$1.02 million impact is not as large as was feared. In addition, there are some indirect impacts to the mental health community that are included in the plan that will likely harm consumers and families, downshift costs to others, and continue the rationing of care at CMHCs.

The following impacts and concerns are included in the Governor's proposal currently under consideration by the Legislature:

1. A \$1.02 million cut to Functional Support Services for children: The proposal offered by Governor Lynch calls for an administrative rules change that would establish a service limitation on functional support services for children at the centers. This was part of a larger change proposed in October of 2009, which was then limited to adults. The current proposal is estimated by the DHHS to reduce reimbursements to the 10 centers by \$1.02 million dollars. The rule change is not included in SB 450, but rather is scheduled for an agency-level hearing at DHHS on May 18, 2010. We will provide details in a separate communication about the hearing.
 - a. While the service cap limitation might appear to impact only one group of consumers, children, the impact of lower overall revenue to the centers will affect all consumers, as the centers, who have been rationing care for several months, will need to absorb this new reduction into overall operations. The result will vary at each center, but those affected the most will likely see increased waits for service, increased administrative burden as waivers must be sought if services above the daily cap are medically necessary, increased likelihood of more costly

inpatient stays if clients are not able to get the care they need in the least restrictive environment, and other direct impacts on patients.

2. Closing of approximately 15 beds at NH Hospital, leading to approximately 500 fewer admissions per year. The Governor's plan suggests that cuts be made at NH Hospital that will reduce beds by approximately 15. This will likely translate into 500 fewer admissions per year. These 500 individuals will not receive the care they need, and will be kept in expensive hospital beds or remain in the community where they will likely cause harm to themselves or others. The impacts will be felt in law enforcement, corrections, the courts and other local arenas.
 - a. The proposal thus assumes that there will be higher-need individuals in the community, but there are no additional dollars allocated for this care. The NHCBHA would urge policy makers, if they choose to find savings at the NH Hospital, to allocate some portion of these savings to strengthen community support programs such as ACT teams or other community-based programs that can cost effectively assist these individuals.

3. FMAP estimates are likely under budgeted: As part of the stimulus package last winter, the federal government increased the percentage of what they pay for Medicaid. This "enhanced" Federal Medicaid Assistance Percentage, or FMAP, was scheduled to run out in January of 2011. The recently enacted Federal Jobs bill extends this enhancement for an additional 6 months. The formula to determine how much is going to come to NH Medicaid is based on the unemployment rate, which would increase the percentage, and the volume of Medicaid cases. Higher caseloads will equal more federal revenue.
 - a. In preparing the Governor's plan, DHHS estimated that the benefit of this extended FMAP enhancement would be somewhere between \$30 million and \$54 million. However, the plan only allocates \$30 million.
 - b. While the \$30 million figure may be a conservative approach, most evidence suggests that because of continued Medicaid case loads, the actual level of available funds will be much higher. If the Legislature determines that they do not want to allocate more than the \$30 million, some policy should be crafted to ensure that if indeed case loads remain high and more money is allocated, that it should be dedicated to the actual Medicaid case load that is being served.