A Proposed 1115 Waiver to the Social Security Act to Provide Medications and Other Services to Texans with Schizophrenia and Bipolar Disorder (Revised)

July 2002

Introduction - The Need For Reform In Texas' Financing For Certain Psychotropic Medications and Related Services

Rising Medicaid costs in the '80s and early '90s have leveled off in Texas, largely due to decreasing total enrollments. However, costs in some areas are increasing. In behavioral health, this is true for the treatment of bipolar disorder and schizophrenia. For these ailments, SSI eligibility requirements for Texas Medicaid preclude payment for preventive treatment. By the time an individual does qualify for disability, often the individual has deteriorated to the point that more expensive prolonged inpatient and intensive rehabilitation services are necessary to restore the individual to even a basic level of functioning. The State has recognized the benefits of early intervention with this population and has attempted to fund a limited amount of drug treatments and other services with state or local funds. However, despite recent increases for certain medications from the Texas Legislature, present funding cannot keep up with demand and the increasing costs associated with effectively treating this population severely compounds the problem.

Nowhere is this more true than in the treatment of schizophrenia, perhaps the most costly single mental illness. In 1990, the estimated national expense of treating schizophrenia accounts for 2.5 percent of total health care costs and 22 percent of total behavioral health costs.[1] Applying that percentage to Texas would total nearly $1.25 billion in total public and private expenditures to treat schizophrenia statewide in 1995.[2] Many of these costs stem from inpatient hospitalization and other intensive treatments which become necessary when patients go off their medications, frequently due to severe side effects. Experts predict that extended use of these new anti-psychotics will ultimately reduce the total cost for treating schizophrenia by providing treatments which patients are able to tolerate and continue for the long-term. Bipolar disorder also requires regular preventive treatment to reduce predictably costly and disabling events.

Using severely limited General Revenue funding the Texas Department of Mental Health and Mental Retardation (TDMHMR) currently provides services to a population that includes individuals with Major Depression, Schizophrenia, Bipolar Disorder and other disorders resulting in severe functional limitations. Although having one of these diagnoses is a requisite for receiving state-funded services, it does not create an entitlement to services nor does it guarantee the availability of services. Furthermore, it does not guarantee any particular level of service. Waiting lists for services are common and increasingly indigent individuals are not provided with services unless they are in a state of crisis.

While the current TDMHMR service array includes limited physician's services, pharmaceuticals and limited access to certain wrap around services (such as case management and rehabilitative services), the increasing costs associated with serving both the Medicaid and non-Medicaid populations is severely limiting the ability of TDMHMR to provide effective services to indigent populations. This results in decreased access and a decrease in the scope of services available to indigent consumers. The net result is an indigent population that is experiencing greater illness and is increasingly likely to qualify for disability due to mental illness.

Reduced access to care caused by the increased demand for effective treatment and the high costs of the "new generation" medications effectively creates a situation in which individuals deteriorate to the point of becoming disabled, enter the Medicaid-funded treatment system and remain there for a

[1] PCS Health Systems, Inc, *RxReview: New Trends in Prescription Therapies, Benefits and Costs,* 1997, adapted from *The Journal of Clinical Psychiatry Monograph* (1997:15[2]: 22-23)

[2] Source of 2.5% figure: Glazer, William M., and Johnstone, Bryan M., "Pharmacoeconomic Evaluation of Antipsychotic Therapy for Schizophrenia," Journal of Clinical Psychology 1997;58(suppl 10). Total health care expenditures in Texas in 1995 were $49.8 billion, making 2.5 percent $1.245 billion spent on schizophrenia in Texas that year. Source: Texas Health and Human Services Commission, *Texas Medicaid in Perspective, 2d edition,* 1997, p. 10.

longer period of time. Medicaid then pays the higher cost associated with providing the full Medicaid benefit to a sicker population for an extended period.

To address this situation, the State proposes a research and demonstration waiver that would expand the range of pharmaceuticals, medical and certain supportive (wrap around) services available to Texans with schizophrenia and bipolar disorder who have incomes at or below 200 percent of the federal poverty level (FPL).

The objective of the waiver is to demonstrate that the provision of a limited set of targeted interventions to individuals in this population will result in:

1. a reduction in the total number of individuals who are determined to be disabled due to the effects of mental illness and/or

2. an increase in the amount of time between first diagnosis and application for disability benefits

The State believes that targeted interventions for this population can result in both improved health outcomes for Texans with these conditions and a net long-term savings to the State and federal government.

Under the proposed waiver, a nationally recognized set of treatment algorithms (which includes the "new generation" drugs which have been proven to be more effective and to have fewer debilitating side effects than previously available treatments) will be used in conjunction with targeted case management to eliminate or forestall greater program costs over the long term. These services would be made available to eligible individuals through an organized local system of behavioral health care.

Texas seeks waivers of certain federal regulations pursuant to Section 1115 of the Social Security Act, so the State can conduct a five-year demonstration project.

This document discusses the problems facing Texas in the treatment of schizophrenia and bipolar disorder. It details reforms being pursued to better integrate the State and local systems and a plan to formalize state and local partnerships for delivering certain limited behavioral health services and new types of psycho-pharmaceuticals. The waiver also promotes the health, responsibility, and self-sufficiency of individuals and families to achieve their highest potential. It outlines decisions regarding benefits, eligibility, enrollment, provider issues, administration, financing, oversight, monitoring and program evaluation.

Section One:
Preventive Care

In 1997, more than 2.8 million Texans -- nearly one in six people -- suffered some form of mental illness. The Texas Department of Mental Health and Mental Retardation's (TXMHMR) priority population consists of people with mental illness and functional impairment. Nearly one-half million Texans meet this description. This priority population consists of two groups: 1) Children and adolescents under the age of 18 who have a diagnosis of mental illness and exhibit emotional or social disabilities which are life threatening or require prolonged intervention; and 2) Adults who have severe and persistent mental illnesses such as schizophrenia and bipolar disorder, or other severely disabling mental disorders which require crisis resolution or ongoing and long-term support or treatment. This waiver encompasses members of the latter group.[3] These individuals are generally uninsured and the lack of insurance tends to delay treatment, which results in many of these individuals eventually becoming ill enough to qualify for SSI.

A Preventive Approach

Texas believes that a preventive strategy is critical maximizing treatment effectiveness and avoiding long terms costs. Schizophrenia has become one of the most costly ailments in society, affecting as many as one percent of the population and accounting for 2.5 percent of national health costs. "The high risk of hospitalization and prolonged length-of-stay in inpatient care associated with schizophrenia account for the majority of this cost."[4] One study estimated the costs of re-hospitalization for this group: within 2 years after discharge from a hospitalization, more than 80 percent of the study group had been re-hospitalized. More than half the costs (63 percent) were due to the loss of medication efficacy, while medication non-compliance accounted for the rest.[5]

Researchers believe that "drug therapy can have a major impact on the likelihood of hospitalization and the overall successful outcome of care," and hypothesize that

> novel antipsychotic medications which demonstrate superior symptom control, an improved safety profile, and benefits to patient quality of life will also reduce patients' need for medical services and the associated costs of these treatments. Such reductions in health care expenditures may offset increases in the cost of medications that accompany the introduction of these new pharmacotherapies, and result in net reduction in the economic burden of schizophrenia.[6]

Similarly, bipolar disorder may frequently be controlled through appropriate medication and outpatient therapy, enabling the patient to remain employed and to continue to lead a productive life.[7] High rates of unemployment and an increased likelihood to receive welfare payments are associated with some types of affective disorders.[8] And bipolar disorder, in particular, requires regular preventive drug treatments to reduce predictably disabling and costly relapses.

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[3] The waiver population does not precisely match Texas MHMR's priority population. MHMR's priority population includes people suffering from major depression, while the waiver covers only persons diagnosed with schizophrenia and bipolar disorder.

[4] Glazer, 1997.

[5] Weiden, PJ, and Olfson, M., "Cost of relapse in schizophrenia," *Schizophrenia Bulletin,* 1995;21(3):419-429.

[6] Glazer, 1997.

[7] Sclar, DA, et. al., "Antidepressant Pharmacotherapy: Economic Evaluation of Fluoxetine, Paroxetine and Sertraline in a Health Maintenance Organization," The Journal of International Medical Research, 1995: 395 –412.

[8] Leon, Andrew, et. al., The Social Costs of Anxiety Disorders," British Journal of Psychiatry, 1995: Vol 166, (suppl. 27), pp. 19-22.

In addition to high direct costs of treatment, indirect costs associated with the lack of effective medications include lost productivity and poor health outcomes.

Current Status of the Waiver Population

The inclusion of persons with schizophrenia and bipolar disorder with countable incomes at or below 200 percent of the federal poverty level will mean covering some persons who are still in the workforce. Presently, Medicaid doesn't cover people with severe and persistent mental illnesses until they enter the program through SSI.

It is estimated 49.8 percent of first year waiver eligibles will have schizophrenia and 50.2 percent will have bipolar disorder. Subsequent years will include only perons newly or recently diagnosed with these disorders and are expected to be 73% persons with schizophrenia and 27% persons with Bipolar Disorder.

The TDMHMR system provides services for this population; however, there are waiting lists to receive these benefits and increasingly the amount, duration and scope of services available to individuals is being reduced The increased demand for modern effective treatments, and the high costs associated with those treatments increasingly limits the number of individuals who can receive these state-funded services.

Section Two:
Program Goals

This proposed 1115 waiver has been designed to meet the following goals of the State and to promote the health, responsibility, and self-sufficiency of individuals affected by schizophrenia and bipolar disorder.

1. **Research the efficacy of a preventive strategy for combating severe mental illness: financing pharmaceuticals, related medical treatments and targeted case management services in order to prevent more intensive and costly future care.**

   This waiver employs a preventive strategy designed to avoid or reduce expensive long term costs by financing medications and related support services *before* the patient has a medical crisis that requires inpatient care or becomes deteriorates to the point of becoming fully disabled by the mental illness. By the time many of these persons enter Medicaid through the regular SSI category (which requires that persons meet very low income and asset requirements), they are no longer able to participate in employment or other productive activities, and require much more expensive and protracted episodes of care to treat their illnesses.

2. **Improve the quality of mental health care for low-income Texans by providing increased access to pharmaceuticals and support services.**

   The waiver provides Medicaid funding for medications and related support services for certain low-income persons aged 18-65 (inclusive) with countable incomes at or below 200 percent of the federal poverty guideline with schizophrenia and bipolar disorder. This waiver will allow the waiver population much greater access to drug treatments, physician services, medication follow-up and other supportive services than is presently the case, while avoiding more expensive future treatments.

3. **Provide treatments for low-income people with schizophrenia and bipolar disorder with the fewest side effects to avoid unnecessary suffering and lost productivity.**

   The proposed waiver would incorporate newly available treatments, especially for schizophrenia cause substantially fewer and less severe side effects than older generations of medications. Research indicates that these drugs will allow persons to continue their medication regimens over longer periods of time[9], preventing potential relapses which result in unnecessary suffering, lost productivity, and other health problems.

   The State would also utilize treatment protocols developed under the Texas Implementation of Medication Algorithms (TIMA), a nationally recognized disease management program which was collaboratively developed by the University of Texas at Austin College of Pharmacy, The University of Texas Southwestern Medical Center - Dallas, The University of Texas Health Science Center - San Antonio, the Texas Department of Mental Health and Mental Retardation, parent and family representatives, and representatives from various mental health advocacy groups. These protocols would help to enhance treatment effectiveness by providing specific clinically tested algorithms for the treatment of these disorders.[10] The TIMA philosophy incorporates the following four major components:

[9] Letter from Steven Hyman, Director of the National Institute of Mental Health, to Sally K. Richardson, Director of the Center for Medicaid and State Operations, U.S. Health Care Financing Administration, January 16, 1998.

[10] Shon, S. P., Toprac, M.G., Crismon, M.L., Rush, A.J. Strategies for Implementing Psychiatric Medication Algorithms in the Public Sector: The Texas Medication Algorithm Project Experience. Journal of Practical

- Evidence-based clinical guidelines with strategies and tactics
- Clinical and technical supports necessary to assure implementation of the algorithms
- A phased patient education program regarding the disorder, treatment and self care
- Uniform documentation of treatment steps, decisions and clinical outcomes

4. Contain costs and achieve cost savings

Estimates indicate that not only will this 1115 waiver be cost neutral, but by financing preventive treatments for this population, cost savings will begin in the third year of the project.

Psychiatry and Behavioral Health, 1999; 5:32-36

Section Three:
Program Design

This chapter addresses program design specifics relating to implementing the waiver.

Eligibility Criteria

Eligibility guidelines for services under the proposed waiver target individuals who are the most likely to become disabled in the absence of the early intervention. Individuals eligible for services under the proposed waiver include individuals who:

- have a diagnosis of Schizophrenia or Bipolar Disorder;
- have had fewer than two hospitalizations for the mental illness within the twenty-four month period prior to application for eligibility (this criteria for eligibility can be overridden by a licensed psychiatrist if the overall clinical picture warrants inclusion in the eligible population)
- have annualized gross individual income at or below 200 percent of the current Federal Poverty Level (FPL);
- are at least 18 years of age;
- are under the age of 66 years;
- are not already eligible for Medicaid through another eligibility category;
- do not have third party insurance coverage for the treatment of mental illness;
- reside in a geographic area of the State that is participating in the waiver and
- do not have an application for a disability determination pending

There are no resource (asset) limits associated with eligibility for this waiver. Individuals may be asked to share in costs associated with treatment in accordance with a sliding fee scale, but inability to pay will not preclude an individual from receiving services.

Estimated Eligibility

It is estimated that approximately 12,500 individuals will be eligible in the first year of the waiver. The state reserves the right to adjust income eligibility levels prior to the start of the waiver and annually thereafter, based on funds availability and participation rate experience. The state also reserves the right to cap enrollment or to implement waiting lists if insufficient funds are available to serve the entire waiver population. If the eligibility guidelines are continued without change, over 2,750 additional persons per year in the NorthSTAR and Harris County service areas are expected to become eligible for the Waiver.

Effective Date Of Eligibility

Waiver services will be covered from the first of the month in which the application is filed or the month in which the person met the eligibility criteria, whichever occurs last.

Eligibility Period

In general eligibility shall be continuous for a twelve month period from the original date of eligibility determination. At the end of each eligibility period, the individual will be reassessed to determine if he/she continues to meet the clinical and financial eligibility criteria. If the individual does meet these criteria, the individual will be eligible for another twelve month period.

In the event that an individual moves out of a participating service area or achieves eligibility for the regular Medicaid program, eligibility in this program will cease immediately.

Scope Of Services

The scope of services available to clients within this new eligibility class will be limited to:

The scope of services available to clients within this new eligibility class will be limited to:

- psychotropic medications;
- physician services necessary to manage the drug regimens for the mental illness;
- related laboratory services;
- targeted case management services, and
- psychosocial rehabilitative services

This waiver will not cover substance abuse counseling, general counseling, inpatient services, long-term care services, or other medical, dental or transportation-related services.

Individuals who would be served under this waiver who suffer from chemical dependency or who abuse substances currently have access to programs funded by the Texas Commission on Alcohol and Drug Abuse (TCADA). The targeted case management benefits under the proposed waiver would improve access to these services for eligible individuals. Additionally, the Texas Department of Mental Health and Mental Retardation and TCADA have worked collaboratively to develop specialized services for dually diagnosed individuals within the local service delivery infrastructure. The ability of the State to integrate the array of services set forth in the proposed model into a single organized system of local mental health care would allow eligible individuals to benefit from these integrated services.

Individuals who would be served under this waiver would receive physical health care services through existing indigent health care facilities and, in emergent situations, through emergency rooms. (Emergency services must be provided per state statute). The proposed benefit package does include physician services to manage the mental health condition (including the general management of medications) and also incorporates laboratory services as well as a case management benefit to link eligible individuals to community resources and psychosocial rehabilitation to enable the individual to develop and maintain skills to better manage the mental illness and to surmount functional deficits caused by the mental illness. These features have the potential to vastly improve mental health treatment and to increase access to less costly medical care which may be available in local communities.

Waiver Of Three-Prescription Limit

Texas Medicaid's monthly three-prescription limit will be waived for Medicaid clients eligible under this waiver. This waiver does not alter prescription limitations for other classes of Medicaid clients.

Source of state match: Unmatched general revenue funds

Presently the treatments proposed under this waiver, when they are available, are financed through a combination of unmatched state and local funds. The state of anticipates that this funding will continue to be available over the life of the waiver.

Geographically Phased-In Implementation

The state will phase in services under this waiver beginning with the following counties:

- Collin
- Dallas
- Ellis
- Harris

- Hunt
- Kaufman
- Navarro
- Rockwall

After these counties have been operational for one year and data from the first year of operation has been collected, the State will perform a preliminary analysis to determine effectiveness and, based upon that analysis, will make a determination regarding whether or not additional counties will be brought into the waiver.

Coverage and Scope of Benefits

This waiver is intended to cover a narrow scope of benefits: psychotropic drugs, along with limited physician, medication follow-up services, laboratory testing to monitor the treatments, targeted case management (service coordination) and psychosocial rehabilitative services.. Clients eligible under this waiver program will not be eligible to receive any other Medicaid services.

By listing specific drugs and testing procedures in the pricing model, the State does not intend to imply that only these drugs may be included over the life of the waiver program. As new drugs and monitoring tests are developed and approved as part of nationally recognized clinical practice guidelines for schizophrenia or bipolar disorder, they may be included on the list of waiver services.

Service Delivery

Under this waiver, all drugs will be paid through the state's Texas Medicaid Vendor Drug Program.

In Harris county, the physician, laboratory, targeted case management and psychosocial rehabilitative services will be paid prospectively to a single organized local mental health service delivery system.

In the remaining seven counties, the physician, laboratory, targeted case management and psychosocial rehabilitative services will be paid as a prospective per-member-per-month payment to the BHO that is operating the NorthSTAR program.

Pharmacy benefits will be paid under the standard fee-for-service arrangement currently utilized in the Texas Vendor Drug Program

Method of State Match

Funds to be matched under this waiver will be previously unmatched funds appropriated by the Texas Legislature for the purpose of treating individuals with severe and persistent mental illnesses who meet the eligibility criteria.

Method of Provider Reimbursement

In Harris county, the provider of physician, rehabilitative, case management, physician and lab services will receive prospective case rate payments on a monthly basis to cover the cost of providing these services to eligible individuals. These providers will submit encounter data for each consumer served to the State. A settle-up feature will be included to ensure that reimbursement is provided only for services that are actually delivered.

In the other (NorthSTAR) counties, the BHO will receive a monthly PMPM payment to provide these services to eligible consumers.

In all counties, Medications will be provided through pharmacies participating in the Texas Vendor Drug Program. Reimbursement for these medications will be provided under the standard fee-for-service arrangement currently utilized in the Texas Vendor Drug Program.

Sources of Savings

This waiver will save both the state and federal government money because the preventive treatments financed will offset potential long-term care costs in the future.

Quality Assurance

This waiver includes several quality measurements on drug distribution to help ensure that waiver clients take their medications appropriately. The State recognizes that general consumer non-compliance with psychotropic drug regimens is a clinical issue that is often linked to several factors including the symptoms of the illness itself, unpleasant side effects associated with psychotropic medications, and other environmental factors such as a lack of transportation that prevent the individual from keeping medication appointments or going to the pharmacy to obtain a prescription refill. Since the origin of general non-compliance is essentially clinical, on an individual basis the best intervention is clinical in nature and not administrative. To help address the clinical issue of non-compliance, the proposed model includes a case management component that will be beneficial in monitoring an individual's condition and current supplies of medication and a rehabilitative component which can assist individuals gain the necessary skills needed to take medications as prescribed. The State also recognizes that individuals have the legal right to refuse medications and the State has no authority to compel individuals to comply the regimen or to reduce, suspend or terminate benefits for non-compliance.

The proposed formulary includes both specific medications for the alleviation of side effects and many of the newer medications such as fluoxetine which are known to have fewer side effects than older traditional medications. The State also desires to assure that these medications are prescribed under the nationally recognized Texas Implementation of Medication Algorithms guidelines within an organized system of behavioral health care. The State believes that such an approach would result in the improved management of medications and in improved medication compliance. Furthermore, by limiting the scope of the clinical delivery system by waiving freedom of choice, the State would have a greater ability to track and monitor rates of compliance and non-compliance with prescribed medication regimens and to establish standardized protocols for intervention when non-compliance becomes an impediment to treatment.

Protocols for addressing prescription abuse and therapeutic duplication are already in place for the larger Medicaid population. This proposed model would leverage those existing technologies to detect and correct trends of inappropriate utilization. Specifically the State will explore the use of existing administrative databases and their supporting automation systems for the purpose of evaluating the effectiveness of the program in achieving optimal compliance with client treatment plans. Examples of such administrative data sets include the following: a) client encounter data, b) vendor drug program data, and c) billing data for laboratory and other health services.

The evaluation of program effectiveness may include some or all of the following quality indicators:

- % clients complying with recommended medication refills
- % prescriptions refilled for client within n-days of expected refill date
- % prescriptions within dosage recommendations of treatment algorithm
- % follow-up visits occurring within n-days of scheduled visit
- % follow-up visits occurring within n-days of algorithm-recommended timeframes
- % laboratory follow-up occurring within n-days of algorithm-recommended timeframes or scheduled visit date

Several of the State agencies have a long-standing relationship with the University of Texas at Austin Center for Pharmacoeconomic Studies, and that center has extensive experience performing

analyses of the vendor drug program data set. The proposed program will use that expertise to compile and track medication-related quality indicators such as those described above.

Utilization Review

The Texas Department of Health (TDH) Vendor Drug Program has established utilization review processes to monitor irregularities. Since the State already provides combination drug therapies to many clients who are eligible through existing categories, these methods have already been tested relative to the proposed waiver services.

TDH routinely monitors four key avenues of drug utilization review via prospective real-time on-line notifications to pharmacists. They are:

- Dosage: Pharmacists are notified if dosage levels exceed those recommended in the standard medical literature.
- Therapeutic duplications: Pharmacists are notified if two drugs have been prescribed which are in the same therapeutic category.
- Ingredient duplication: Pharmacists are notified if prescribed drugs contain duplicate ingredients. Exact duplicate prescriptions are rejected unless more than 50 percent of the prescription has already been used.
- Clinically significant drug interactions: Pharmacists are notified when drugs are prescribed which may cause clinically significant interactions with one another.

In addition to these real-time prospective drug utilization review methods, TDH also conducts more intensive periodic retrospective reviews to more closely examine potential problem areas. Intensive reviews will be performed periodically relating to covered psychotropic medications during the waiver period. TDH has a Drug Utilization Review board made up of six physicians and six pharmacists which approves criteria for prescribing a particular drug. TDH examines Medicaid claims concerning the particular class of drugs, looking for patterns which fall outside the criteria. TDH contracts with the UT Health Science Center in San Antonio to study and determine which physicians and pharmacists should receive review or counseling on appropriate drug utilization.

Outreach and Publicity

The State will use all available means to notify waiver eligible individuals about the new program. Methods may include some or all of the following: 1) developing a brochure outlining waiver services and eligibility requirements to be distributed through government agencies and organizations providing support services to persons with severe mental illness; 2) local community MHMR centers informing their existing clients who meet waiver criteria about the program; 3) making information about the waiver program available on the internet; 4) issuing press releases and other media notifications to inform the public and potentially eligible persons about the waiver program and, 5) use of existing local outreach programs through the community MHMR centers.

Recordkeeping, Documentation and Tracking

The state will institute a system to compile and analyze data on the types and quantities of drugs used by clients in this eligibility class, including demographic breakdowns by race, gender, and age. The state will also monitor the number of clients in this eligibility class who become eligible to receive full Medicaid benefits under the SSI program.

Section Four:
Budget Neutrality

This chapter describes the data sources, assumptions and methodology used to develop these projections of budget neutrality and cost effectiveness. The chapter is divided into the following sections:

Federal Financial Participation
Projected Participants
Without Waiver Service Costs
With Waiver Service Costs
Cost Effectiveness
Cost Summary

Federal Financial Participation

The State of Texas requests federal financial participation (FFP) for drug costs, laboratory testing, physician services, targeted case management, rehabilitative services and related administrative expenses incurred by the State or its agents on behalf of each individual determined eligible for the 1115 waiver program.

FFP for medical payments is estimated at the current rates with projections for future years.

Year	Federal Share	State Share
1	60.17%	39.83%
2	59.94%	40.06%
3	59.94%	40.06%
4	59.94%	40.06%
5	59.94%	40.06%

Projected Participants

Projected participants were estimated as follows. For the NorthSTAR counties and Harris county customers in SFY 2001 with Schizophrenia and with Bipolar Disorder were counted to obtain a baseline number of potential eligibles. The 2001 data are aged to 2003 population estimates and the participation rates applied to derive an estimate of likely waiver participants.

All the non-Medicaid customers with schizophrenia are assumed to be in need of drug therapy. About 90% are expected to participate in the waiver. The other 10% are expected to choose not to participate, frequently because they will be eligible or applying for Medicaid. Eighty two percent of new enrollees with a Bipolar Disorder diagnosis are started on medications. All of those are assumed to be in need of drug therapy. About 90% of those are expected to participate in the waiver. The other 10% are expected to choose not to participate, frequently because they will be eligible or applying for Medicaid.

The initial cohort of persons is much larger than subsequent cohorts because the initial cohort picks up persons who may have been diagnosed during the several years preceding the waiver while subsequent years only pick up persons identified during the year. The initial cohort is estimated at over 12 thousand people. Subsequent years will add about 2,750 persons per year.

Persons with Mental Illness				
		Schizophrenia	Bipolar Disorder	Total
Waiver Year 1	2003	6,233	6,279	12,512
Waiver Year 2	2004	1,975	733	2,708
Waiver Year 3	2005	2,008	745	2,753
Waiver Year 4	2006	2,041	757	2,798
Waiver Year 5	2007	2,073	769	2,842

Without Waiver Service Costs

Estimated 2001 Costs of Service Utilization by SSI/Medicaid Eligibles with Schizophrenia or Bipolar Disorder

Type of Service	Schizophrenia	Bipolar Disorder	Source of information
Behavioral Health Services	$3,581	$ 4,296	From NorthSTAR payment records for SSI eligible members (Data Warehouse)
Pharmacy	$3,171	$2,061	Estimated from NorthSTAR indigent drug costs plus physical health prescriptions
Physical Health Costs	$2,231	$14,594	From paid Fee for Service bills for SSI eligible persons (Vision21)
Total Annual Expenditures	$ 8,644	$ 19,613	

These baseline costs are inflated to subsequent years in the CE Appendix.

With Waiver Service Costs

With Waiver costs are a blend of actual costs from NorthSTAR, with standard Medicaid rates applied and expert analysis of how these costs are likely to occur over time. The first year is substantially more intense than subsequent years where many recipients will experience increasing periods of stability. The main differences in the pricing for the two diagnostic groups are the higher cost of drugs and a higher intensity of case management for persons with a diagnosis of schizophrenia. The higher intensity of medication and case management is required in years 2 through 5 because persons with schizophrenia diagnoses tend to have more difficulty in complying with Medication regimens and require more intensive supports to retain stability.

The CE Appendix, tab 'Waiver' details the services and costs for each year of the waiver and for each cohort as they enter waiver eligibility.

The service package for persons with Schizophrenia is about 60% cost of Medicaid coverage and the package for persons with Bipolar Disorder is 15% the cost of Medicaid coverage. The higher savings on the

persons with Bipolar Disorder is due to the high physical health costs associated with persons with Bipolar Disorder on Medicaid. The drug therapy will serve to moderate the impact of the disease as well as the physical complications that are highly associated with deterioration in persons with Bipolar Disorder.

Cost Effectiveness:

Cost effectiveness calculations are presented in more detail in the Appendix. In short, if a person in need of appropriate drug therapy does not receive the required therapy timely, their likelihood of moving onto SSI is very high. If they do not receive the drug therapy at all, they are almost certain to deteriorate to the point where they will require SSI and therefore be eligible for the full Medicaid benefit. Persons with Schizophrenia tend to deteriorate most rapidly and exhibit behaviors that increase the likelihood of familial or legal intervention. Therefore they will be more likely to access SSI in shorter periods of time. Persons with Bipolar Disorder are somewhat less likely to exhibit symptoms that warrant immediate familial or legal involvement. These individuals frequently access SSI due to associated physical deterioration in addition to their mental disease. In both cases, 77% of persons with schizophrenia and 75% of persons with bipolar disorder who are in need of drug therapy are expected to be on SSI within 5 years. This results in a $533,226,816 Medicaid expenditure over five years for the initial cohort, $670,889,039 for all participants over the 5 waiver years.

Most persons who receive appropriate drug therapy do not require SSI. Based on Texas Department of Mental Health and Mental Retardation Service System data for 1996 through 2000, less than 10% of persons receiving the waiver levels of drug therapy and support services move to SSI in five years. Another 7% have unknown outcomes because they are no longer in the TDMHMR system. The estimated cost of the Waiver enrollees that move to SSI is $21,391,824. Adding the costs of Waiver participants and participants who move onto SSI results in a with waiver cost of $396,331,041. This leaves a with-waiver savings of $274,557,998 in year 5.

Operating Expenses: Project Administration

Staff	Salary
Project Director (20%)	$16,000
Contract Manager (50%)	$25,000
Budget Analyst (25%)	$10,000
Data Analyst / Evaluator (50%)	$24,000
Systems Analyst (100%)	$45,000
Support Staff (50%)	$14,000
Equipment and Supplies	$7,500
Total Administration	$141,500.00

Federal / State match rate for Project Administration is 50%/50%

Operating Expenses: MMIS Development

Payment system and Encounter Tracking	$500,000
DHS Cost	$250,000
Vendor Drug Information Exchange and Identification	$495,000
Claims Payment Tracking System (Data Warehouse)	$222,200
Total MMIS	$1,467,200

Federal / State match rate for MMIS Development is 50%/50%

Project Cost Effectiveness

Project Costs	
Service Savings	$274,557,998
Project Administration (141,500 * 5yrs*CPI-U inflation)	($745,259)
Information Services	($1,467,200)
Total Projected Savings after five years	$272,345,539

Section Five:
Evaluation

Overview

This chapter is divided into four sections:
- General Evaluation
- Research Design and Analysis
- Possible data sources
- Examination of the research questions

General Evaluation

General Evaluation will consist of client satisfaction surveys and provider surveys:

- Client Satisfaction Surveys

  The State will use a modified version of the MHSIP as the Client Satisfaction Survey. In order to preserve client confidentiality, the State will not survey family members, legal guardians or other persons. The survey will be distributed to participants through providers or volunteer peer groups. Results of the surveys will be provided to CMS.

- Provider Surveys

  The State will periodically review waiver service providers to determine any problems in payment, service delivery, or other issues. Results of the reviews will be made available to CMS, related advisory boards, and the public.

Research Design and Analysis

The State believes that early intervention will reduce the total cost to both the State and Federal Government by:

- Reducing the number of individuals with schizophrenia or bipolar disorder who become eligible for the full Medicaid benefit.
- Delaying the onset of disability or the descent into poverty caused by mental illness thereby delaying entry into the full Medicaid benefit.
- Reducing the total number of services required for individuals who do become eligible for the full Medicaid benefit.

Population Definition: Persons age 18-65 (inclusive) diagnosed with Schizophrenia or Bipolar Disorder.

Waiver Service Delivery Areas – Dallas SDA and Harris County
Control Service Delivery Areas – Bexar SDA and Tarrant SDA

To evaluate this hypothesis and the cost effectiveness of the waiver the State will utilize the following methodology:

Pre-Waiver Evaluation:

Purpose: To determine the extent of financial savings and health improvements that are projected to occur as a result of implementing the 1115 Waiver.

Data Utilized: Encounter (FY 00-01), claims (FY 00, 01) and CARE (FY 97, 98, 99) data – Dallas service area.

Methodology:
1. Identify the percent of the Indigent Population that are likely to become SSI and who could have benefited from the 1115 Waiver (see description under assumptions).
2. Compare the number and type of services that would be received under the 1115 Waiver to those received under the Medicaid program (SSI).
3. Compare the total cost to the State/federal government for services provided both under the 1115 Waiver and under Medicaid (SSI). This should include services that Medicaid covers, which would not be covered under the 1115 Waiver, e.g. physical health services.

Assumptions: Persons that are non-Medicaid with the following characteristics are more likely benefit from the 1115 Waiver:

- Remain as a non-Medicaid behavioral health consumer for 3 months or more
- Are managed via medication services only or medication and service coordination services only

Post-Waiver Evaluation:

Purpose: To determine the extent of financial savings and health improvements that occurred as a result of implementing the 1115 Waiver.

Data Utilized: Encounter (FY98-07), and claims (FY97-07) data – Collin, Dallas, Ellis, Hunt, Kaufmann, Navarro, Rockwall, and Harris service area.

Methodology:
1. Identify the cost for all services provided to SSI clients, in the service areas mentioned above and meeting the population definition, prior to waiver – Baseline Cohort.
2. Identify the cost for all services provided to the SSI clients after the waiver period in the non-waiver sites – Control Cohort.
3. Identify the combined cost for all services provided to both the SSI clients and to the clients covered under the 1115 waiver after the waiver period for waiver sites – Waiver Cohort.
4. Compare the total pre- and post-waiver cost in the waiver services areas and the non-waiver areas.
5. Compare the average GAF scores and TDMHMR Clinical Severity Index Scores for the SSI clients to those of the 1115 waiver clients.

Additional Information to be included in the Evaluation:

- Number of clients that meet the age and diagnostic criteria for the 1115 waiver by service area (proposed in waiver)
- Number of clients that meet the age and diagnostic criteria for the 1115 waiver as a percent of all BH clients meeting the age criteria by service area (proposed in waiver)
- Number of clients that meet the age and diagnostic criteria for the 1115 waiver as a percent of the Texas population meeting the age criteria by service area (proposed in waiver)
- Pre-post functional evaluation scores for clients that meet the age and diagnostic criteria for the 1115 waiver by service area (proposed in waiver)
- Breakdown of type of services delivered by service area (where possible) for clients that meet the age and diagnostic criteria for the 1115 waiver
- Total cost by service area (where possible) for clients that meet the age and diagnostic criteria for the 1115 waiver – by the above types of service
- Average cost per person by service area (where possible) for clients that meet the age and diagnostic criteria for the 1115 waiver

Possible Data Sources

The State will begin data collection in the early phases of the waiver implementation to ensure that information is available to properly assess the impact of the project. Data that will be collected and maintained from the outset include:

- Claims data
- Data from ongoing monitoring such as the number of clients enrolled each month, provider capacity, etc.
- Medical records
- Functional Evaluation Data
- Grievance or complaint information from clients and providers

In addition to this data the State may additionally collect:

- Local financial, administrative and encounter data on indigent care for SPMI patients
- Client and provider surveys
- Data from Interviews, focus groups, and case studies

In order to use the data to draw conclusions about the effects of the project, it is important to consider changes in the data over time. Whenever possible, the State will collect and maintain data from the period of time before the project begins.

Section Six:
Waivers Requested

Description of Provision to be Waived	Social Security Act Provisions and Regulations
Uniformity	**§§ 1902(a)(1)** **42 CFR § 431.50**
Explanation: This waiver targets a specific population and will be phased in and will operate only in certain political subdivisions of the State.	

Freedom of Choice	1902(a)(23) 42 CFR § 431.51

Explanation:

The State will utilize an existing organized service delivery system in each county (or region) to provide a 'one-stop" approach for eligibility determination and clinical service delivery. This approach will decrease inefficiencies associated with system fragmentation and will also provide a more seamless - and more comprehensive - system of care for the provision of clinical services. This approach will also help to assure an appropriate level of service coordination between the psychiatrist (or physician in certain rural and frontier counties) and other specialty providers offering State–funded supportive and specialty wrap around services to these individuals.

Specifically the State will limit the provision of medical services to psychiatrists (except in certain rural or frontier counties – where general physicians would be allowed to provide the service if no psychiatrist was available).

To assure the availability and coordination of services both psychiatrists/physicians and providers of case management and rehabilitative services under this waiver would be affiliated with a designated organized system of care serving the region. Psychiatrists (or general physicians) and case management personnel could attain affiliation either through direct employment or through contractual arrangement. These organizations would be selected by the Texas Department of Mental Health and Mental Retardation with selection preference being given to organizations that:

- provide a broad continuum of care for individuals with mental illness, including the provision of ACT and other supportive and wrap-around services for this population;
- have significant experience providing services to individuals with schizophrenia and bipolar disorder;
- have a history of providing services to Medicaid-eligible and indigent individuals; and
- have an organizational infrastructure capable of supporting the delivery of a well coordinated and comprehensive array of services for individuals with schizophrenia and bipolar disorder.

The State has identified 2 entities that meet this criteria. For Harris county the entity will be Harris County MHMR Center and for all remaining counties the BHO contracted to provide services under the NorthSTAR 1915(b) waiver program will be the selected entity.

Amount, Duration and Scope of Services	1902(a)(10)(B) 42 CFR § 440.230-250

Explanation:

Under this waiver, the waiver population will be eligible to receive drug therapies associated physician's services, laboratory testing and targeted case management services described earlier in the waiver, but not other services available to other populations eligible for Medicaid.

Statewideness	1901(a)(1)

Explanation:

The State will limit the waiver to certain counties in Texas. During the first year the waiver will be in effect only in the following Texas counties:

- Collin
- Dallas
- Ellis
- Harris
- Hunt
- Kaufman
- Navarro
- Rockwall

Eligibility	**1902(a)(10)(A) and 1902(a)(10)(B)**

Explanation:

This waiver anticipates expanding Medicaid eligibility to include individuals with countable incomes at or up to 200 percent of the federal poverty guideline who have been diagnosed with schizophrenia or bipolar disorder who are experiencing functional deficits who are not already eligible for Medicaid under another category and who reside in an eligible county.

Income Limitations	**§ 1902(l) § 1903(f)** **42CFR §435.100, et seq.**

Explanation:

The proposed waiver anticipates the inclusion of individuals with annualized incomes less than or equal to 200% of the established FPL and does not incorporate specific resource (asset) limitations.

Appendix

Detailed Cost Effectiveness Calculation