

What Is Managed Care?

Managed care is an approach to financing and delivering health care that seeks to control costs and ensure or improve quality of care through a variety of methods, including provider network management, utilization management and quality assurance.

Historically, Medicaid services for disabled beneficiaries, including mental health services, have been provided on a *fee-for-service* basis where providers are paid for each billable service provided. In contrast, *managed care* Medicaid programs pay for some or all services at a prepaid rate, often based on enrollment.

States rely heavily on managed care for Medicaid beneficiaries. In 2008, 71 percent of enrollees were in care,¹ but the majority of Medicaid managed care enrollees are children and families, whose costs tend to be much lower than for elderly and disabled enrollees (Figure 1). Today, states are increasingly looking to managed care as a strategy to contain costs for individuals with complex needs, including children and adults who live with serious mental illness.

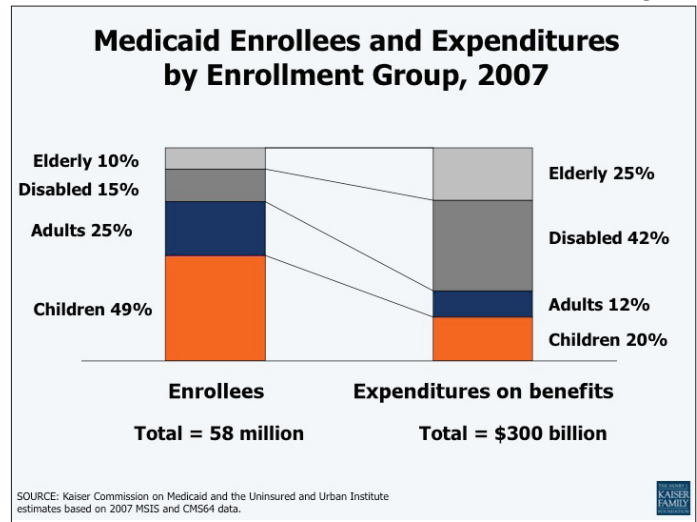
Whether managed care plans improve or impair access to, and quality, of care depends on a variety of factors. To help advocates assess and influence state Medicaid mental health care programs, NAMI's *Resource Guide on Managed Care, Medicaid and Mental Health* provides important information, advice and tools.

MANAGED CARE STRUCTURES

Managed care takes a wide variety of forms and names, including the following common structures and models:

Risk-based Managed Care Entities (MCEs) are contracted to provide and manage benefits. In a *full risk* contract, the MCE, or managed care plan, agrees to

Figure 1



provide all benefits on a per member per month basis, known as full capitation. If enrollee use of services exceeds capitation payments, the managed care plan must pay the additional costs. If enrollees use fewer services, the plan may keep or reinvest unused funds.

In a *partial risk* contract, the managed care plan is prepaid to deliver a subset of services, such as mental health case management or crisis services, with other services reimbursed on a fee-for-service basis. Alternatively, a partial risk managed care plan may be at risk for costs or gains that exceed a pre-determined margin above and below a targeted cost.

Administrative Services Organizations (ASOs) are contracted to administer, or manage, claims and benefits for a fixed administrative fee while bearing little or no risk for the cost of delivering care. ASOs may also contract to provide other functions, such as provider and member services, data reporting, provider network development, care coordination and disease management services.

PROVIDER-BASED MANAGED CARE STRATEGIES

Primary Care Case Management (PCCM) is a managed care model in which the purchaser reimburses treatment services on a fee-for-service basis but pays selected primary care providers a monthly case management fee to authorize, coordinate and monitor all necessary care for patients.

Enhanced PCCM models use various methods to improve coordination and management of care for enrollees with chronic conditions, such as serious mental illness or co-occurring conditions.

Patient-Centered Medical Home (PCMH) uses various managed care strategies to promote a patient-centered approach with expanded hours, coordination and management of care by a primary provider and team-based comprehensive services to meet multiple physical, substance abuse and mental health needs.

MENTAL HEALTH BENEFITS IN MANAGED CARE

Mental health and other medical benefits may be managed by a single managed care plan in what is known as an integrated plan. In a subcontracted plan, management of mental health benefits may be transferred by the managed care plan to another entity, often an

entity that specializes in providing mental health benefits. In a carve-out or separate plan, mental health benefits may be provided on a fee-for-service basis or a Medicaid agency may contract separately with a managed care plan for mental health benefits.

Prescription drug benefits, like mental health services, may be managed by a single integrated plan but are often subcontracted to another entity or provided on a fee-for-service basis. Because of the unique nature of psychiatric medications and the vulnerability of Medicaid enrollees who live with serious mental illness, psychiatric medications may be exempt from managed care requirements.

MANAGED CARE RESULTS

Rather than the specific managed care model, structure or for-profit/nonprofit status, it is often contractual requirements, fiscal incentives, oversight and leadership that have the most significant impact on how a managed care plan will meet the needs of children and adults living with mental illness and co-occurring substance use or primary care disorders. For this reason, understanding managed care responsibilities and other key issues is important for mental health advocates.

Mental Health Carve-in (Integrated Plan)	Mental Health Subcontracted (Subcontracted Plan)	Mental Health Carve-out (Separate Plan)
A managed care plan manages both mental health and other medical benefits.	A managed care plan is responsible for both mental health and other medical benefits but subcontracts management of mental health benefits to another entity, often one that specializes in providing mental health benefits.	Mental health benefits are provided on a fee-for-service basis or are provided by a separate managed care plan that is not responsible for other medical benefits.

Psychiatric Rx Carve-in (Integrated Plan)	Psychiatric Rx Subcontracted (Subcontracted Plan)	Psychiatric Rx Carve-out (Separate Plan)
A plan manages the prescription drug benefit, including psychiatric medications.	A plan is responsible for the prescription drug benefit, including psychiatric medications, but subcontracts management to a separate entity, often a pharmacy benefits manager (PBM).	Psychiatric medications are provided on a fee-for-service basis or, if subject to a managed care approach such as a preferred drug list, are exempt from authorization requirements or other access barriers.

MANAGED CARE RESPONSIBILITIES

Most managed care responsibilities fall under one of the following five categories. Understanding these areas of responsibility can help advocates strengthen contractual requirements and use oversight and other mechanisms to influence mental health care. These areas are addressed in NAMI's *Medicaid Managed Care, What to Ask: A Checklist for Advocates* and in additional *Resource Guide* materials.

- 1. Utilization and Clinical Management:** Monitoring of covered services, utilization of services, care management, medical necessity criteria and service authorization or discharge.
- 2. Provider Network Management:** Establishment of provider networks to meet access standards, provider credentialing requirements and practice standards.
- 3. Quality Assurance:** Collection of data, reporting and analysis and use of performance, process and outcome measures and member surveys. May include care coordination or other quality assurance and improvement functions.
- 4. Rates and Claims:** Monitoring of fraud and abuse, establishment of provider rates and claims payment procedures.
- 5. Customer Service, Appeals and Grievance:** Provision of member information and grievance and appeal processes.

ADVOCACY TIPS

Develop Relationships

Meet regularly with your state Medicaid director and with the behavioral health directors and medical directors of Medicaid managed care plans.

Stay Focused

NAMI's goal is to ensure that children and adults living with mental illness receive the right care at the right time and right place to experience lives of resiliency, recovery and inclusion

Learn the Issues and Ask Questions

Use *NAMI's Resource Guide on Managed Care, Medicaid and Mental Health* to understand key managed care issues and to ask questions that will help inform your advocacy.

¹Kaiser Commission on Medicaid and the Uninsured. (February 2010). Medicaid and Managed Care: Key Data, Trends and Issues. www.kff.org/medicaid/8046.cfm. March 23, 2011.

²Fields, S., and English, K. (2011). Managed Behavioral Health Care Today [Webinar presentation]. Retrieved from www.nami.org/stateadvocacy.