

Medicaid Waiver and Funding Options Available to States to Cover Services to Youth With Serious Emotional Disturbance (SED)

Section 1915 (a) Voluntary Managed Care Waiver

This section provides for states to implement a voluntary managed care system usually for very specific Medicaid covered populations such as SED children.

Section 1915 (b) Managed Care Freedom of Choice Waivers

This section provides Federal Medicaid Program to grant waivers that allow states to implement managed care delivery systems, or otherwise limit individuals' choice of provider under Medicaid.

Section 1915 (c) Home and Community-Based Waivers

This section of Social Security Act provides the Secretary of Health and Human Services authority to waive Medicaid provisions in order to allow long term care services to be delivered in community settings. This program is the Medicaid alternative to providing comprehensive long-term services in institutional settings, primarily psychiatric hospitals or psychiatric residential treatment.

Section 1915 (i) Newly Established and Authorized Under the Deficit Reduction Act (DRA)

This provision allows Medicaid funding of certain services not usually covered in State Medicaid Plans. Specifically allowable services for children and adults with mental disorders under 1915 (i) are case management, personal care, respite, homemaker services, day treatment, partial hospitalization, psycho-social rehabilitation and clinic services.

The 1915 (i) option is a State Plan Amendment option. Currently only three states, Iowa, Nevada and Massachusetts, are currently utilizing this relatively new option.

Psychiatric Rehabilitation Option

An option in Medicaid services that incorporates rehabilitative, community-based services to persons with psychiatric and co-occurring psychiatric and substance abuse diagnosis. This category is known as the Medicaid Rehabilitation Option or MRO. The Rehabilitation Option is similar to the 1915 (i) but requires a higher level of CMS approval because it requires a federal waiver versus simple state plan amendment. Basic living skills training, social skills training, counseling and therapy and other services can be covered in home and institutional setting if it is authorized by a licensed professional.

Clinic Option

A Medicaid optional benefit that allows for outpatient services to be provided through a wide variety of health care clinics including community mental health agencies. Services must be based at the clinic which is a limitation for a system of care.

1115 Waiver

This section allows Secretary of Health and Human Services to allow states to pilot or demonstrate innovative projects which are likely to assist in promoting objectives of Medicaid statute. States usually use 1115 waivers to expand use of managed care. Requirements that can be waived are statewide uniformity of services; allowing different benefits to be provided to one group versus another; and eligibility variations.

Oregon has a 1115 waiver which gives them flexibility in piloting managed care programs for unique populations.

Targeted Case Management

Case Management Services covered under Medicaid that assist individuals eligible under the state Medicaid plan in gaining access to needed medical, social, mental health and other services. TCM can not cover direct service costs such as counseling, it can cover the cost of a case manager who arranges and manages the provision of services to a Medicaid eligible individual. Mental health personnel have always been the main focus of TCM, however, child welfare and juvenile justice staff are again able to claim these monies if services are provided consistent with the TCM definition.

TEFRA or “Katie Beckett Option”

TEFRA is a specific Medicaid eligibility option available to States that allow the provision of home and community-based services for children who meet SSI disability criteria and who without the home and community-based services would require institutional placement. Parental income is not considered in determining the child’s eligibility. If a state uses TEFRA, there is no limit on the number of youth served- you cannot “cap” the number as it becomes an entitlement program. While usually used for children with complex medical needs, it can be used for youth with serious emotional disturbance.

EPSDT (Early and Periodic Screening, Diagnostic and Treatment)

This is a Medicaid program that is designed to improve primary health benefits for children with an emphasis on preventive care. States must cover regular and periodic screenings conducted by a physician or nurse up to age 21. Any condition uncovered through a screening and need for services to treat that condition must be provided to that child whether the service is covered in the State Plan or not. EPSDT has been used in a number of States for youth with various emotional mental health needs to determine the need for specific mental health interventions, such as Day Treatment or intensive in-home services. These services can then be billed and paid under Medicaid.

Not every State participates in the same way with EPSDT though every State must make preventive screening and assessment services available – even if delivered by managed care organizations.

Title IV-E- The IV-E Demonstration Waiver (Child Welfare demonstration Projects):

Provides States with an opportunity to design and test a wide range of cost-neutral approaches to improve and reform child welfare by waiving certain requirements of Title IV-E. The general objectives of the waivers include the development of family-focused, strengths-based,

community-based service delivery networks that enhance the child-rearing abilities of families, to enable them to remain safely together when possible, or to move children quickly to permanency; and development of better results for children and families.

The Title-IV-E Demonstration Program has actually ended but States are encouraged to still submit innovative “cost neutral” approaches to the Child Welfare Bureau.

Funding Methods For States

Blended Funding

A method used to combine categorical funds from different funding streams to create a “pool” of funds that are flexible and can be more individualized to follow the needs of a SED youth and his/her family. Once blended, these funds become indistinguishable from each other but still may be tracked and followed. Blending funds can allow systems to sometimes fund services that might be more difficult or impossible to cover with a categorical funding stream.

Wraparound Milwaukee, DAWN Project (Indianapolis), New Jersey’s children’s system are varying examples of states and communities that blend funds to increase flexibility and funding adequacy.

Braided Funding

In this method, funds from various sources are used to pay for a coordinated package of services for individual children. Funds are usually used to cover specific services consistent with the funding source used. Tracking and accountability for each funding stream used is individually monitored by the agency making the funds available.

Braiding funds does not offer the flexibility of “pooling” funding sources, but still allows for joining these financial streams together to meet the needs of individual children and their families. Many States and communities use this strategy.

Fee-For-Service

Traditional funding approaches where youth and families access a specific service, i.e., office-based therapy or substance abuse treatment and there is a specific unit rate established by Medicaid on the HMO for that service. Providers usually directly bill the Providers for the service after it is provided. Many fee-for-service systems require prior authorization and have established parameters around the intensity and duration the service can be provided.

Capitation Rate

A fixed amount of money is paid to the HMO/Managed Care System (usually monthly) for each person enrolled in the Health Plan whether a service is provided or not. Capitation rates allow for the most flexibility for payors because funds can usually be utilized for a broad range of service options as long as the service is determined medically necessary.

Case Rate

A fixed amount of money is paid for each person who presents for covered services. Case rates unlike capitation rates are usually not paid for children actually receiving services. Most case rates are calculated on monthly units of service. Case rates can be used to re-direct monies from other funding sources or programs. They are more frequently used to fund services by Child Welfare or the Juvenile Justice System.