

Behavioral Health Comparison Rate Development: Phase Three

Engrossed Substitute Senate Bill 5950; Section 215(146); Chapter 376; Laws of 2024

December 31, 2024

Background

The Health Care Authority (HCA), in partnership with Milliman Inc., has been working on a project to develop behavioral health (BH) comparison rates for the last several years. The comparison rates are intended to estimate the costs a provider incurs when delivering specific behavioral health (BH) services. The project consists of multiple phases.

- **Phase 1** focused on the initial development of comparison rates for a limited set of services.
- **Phase 2** focused on refining the comparison rates developed as part of Phase 1 using a variety of data sources including a provider survey. This phase also looked at the estimated difference between historical Medicaid managed care organization (MCO) provider payments and the comparison rates.

The Legislature provided additional funding as part of the 2024 supplemental budget to continue this work. **Phase 3** will span multiple years and focus on several activities including:

- **Developing comparison rates for services** that were not addressed in Phase 1, Phase 2, or other HCA work.
- **Preparing to implement a minimum fee schedule (MFS)** based on the comparison rates.
- **Estimating the cost of implementing MFS** based on the comparison rates.

Engrossed Substitute Senate Bill (ESSB) 5950; Section 215(146), directed HCA to provide a preliminary report to the Legislature and the Office of Financial Management that, amongst other activities,

- Estimates the costs of establishing an MFS based on the comparison rates.
- Identifies implementation challenges and options to address those.
- Provides additional analysis on payment variation between current reimbursement levels and the comparison rates.

The following report fulfills that directive. The final report is due in October 2025. While the proviso requires HCA to prepare to implement an MFS effective January 2026, it falls short of directing HCA to implement an MFS for calendar year 2026.

Additional Legislative action (either funding or direction) would be required during the 2025 Legislative session in order for HCA to implement an MFS effective January 2026.

Project purpose

The BH comparison rate project is intended to support a variety of goals including:

- Developing and publishing comparison rates that are consistent with efficiency, economy, quality of care, and access to care.
- Providing an examination and understanding of the provider resources involved in delivering specific BH services.
- Providing a transparent payment-rate benchmark for use by all stakeholders.
- Understanding payment variation across regions, services, and providers.
- Establishing a payment floor (MFS) that helps address historical imbalances.
- Estimating the cost of implementing an MFS based on the comparison rates.

Project approach

This project uses an independent rate model framework to take data and provider feedback to develop rates at the services code level. Rates are built from the ground up based on a variety of assumptions around things like salaries and wages, employee related expenses, transportation expenses and administrative costs and overhead. HCA gathered data through multiple sources including provider workgroups and surveys.

Preparing to implement an MFS is a key part of Phase 3. An MFS establishes a minimum payment amount by services. MCOs and HCA would then be required to pay no less than that amount. MCOs and providers retain flexibility to negotiate rates that are above the MFS depending on a provider's unique circumstances. HCA has discretion on where in relation to the comparison rates to set the MFS for each service. The following report provides a range of options. The high scenario is based on setting the MFS at the BH comparison rates developed in prior phases. For the low scenario, some of the assumptions used for developing the BH comparison rates have been adjusted to reflect a minimum floor. The MFS is then set at this lower threshold. Where the MFS is set will ultimately depend on the amount of funding available from the Legislature.

Key findings

Implementation challenges

HCA and Milliman identified several challenges to implement an MFS for all BH services with a comparison rate developed in prior project phases beginning in calendar year (CY) 2026 including:

- **Encounter data reporting inconsistencies** – utilization reporting, in particular, is inconsistent.
- **Non-fee for services (FFS) payment arrangements** – the encounter data for non-FFS payment arrangements is largely incomplete making it difficult to identify what providers are currently paid at the services level and how that differs from the comparison rate.
- **Provider-type reporting** – BH comparison rates were originally developed to reflect the difference in cost based on rendering provider (i.e., master's-level staff versus B.S. bachelor's-level staff providing care). Current provider-type reporting on encounters is limited.

The following report provides additional details about each of these challenges.

Approach for addressing challenges

HCA is proposing implementing a calendar year (CY) 2026 MFS that is more limited in scope than what was originally contemplated within ESSB 5950; Sec215(146). This will allow HCA additional time to work through some of the challenges highlighted prior with the goal of implementing a more comprehensive MFS beginning in CY 2028. In identifying codes to include in the limited CY 2026 MFS, HCA focused on services:

- With high utilization, making the changes meaningful.
- Provided by a variety of organizations, creating a broad impact.
- With existing payment disparities (regional or provider), increasing payment uniformity and reducing system imbalances.
- Typically reimbursed on a FFS basis, circumventing some of the data challenge.

The services selected for the limited-scope MFS represent approximately one-third of the historical expenditures for services that have a BH comparison rate (see Appendix V for a list of services with and without comparison rates)

Next steps

HCA will:

- Look to the Legislature for additional direction on CY 2026 MFS implementation during the 2025 legislative session.
- Continue to work through the challenges identified in the report.
- Continue to refine the comparison rates developed in prior phase.
- Work to develop comparison rates for services not addressed in prior phases.

The following report provides additional details on the information contained in this summary.