



# MARYLAND'S BEHAVIORAL HEALTH CRISIS

EXPAND COMMUNITY ACCESS BY INDEXING RATES TO INFLATION

NOVEMBER 2016

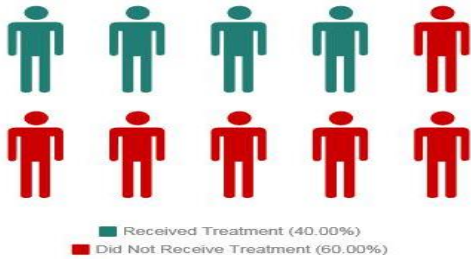
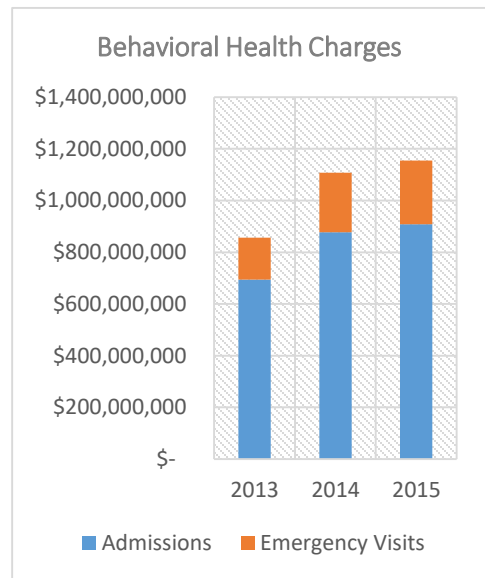
Demand for behavioral health services has risen significantly in Maryland, but stagnating reimbursement rates have limited community providers' ability to expand.

## UNMET DEMAND = MISALIGNED SPENDING

From 2013 to 2015, charges for behavioral health admissions to Maryland hospitals for individuals with Medicaid insurance rose 31%, and emergency visits rose 52%. Hospital spending has increased over \$238 million.

Maryland's **per consumer spending on mental health services has declined by 27%** in inflation-adjusted dollars in the past decade.<sup>1</sup> Reduced funding has restricted access to community treatment.

As Maryland seeks to reduce state psychiatric hospitalizations, overall hospitalization rates, and incarceration for individuals with behavioral health needs, the state must invest in expanding access to community-based care.



6 in 10 Maryland residents needing mental health treatment do not receive it.

9 in 10 Maryland residents needing substance use treatment do not receive it.



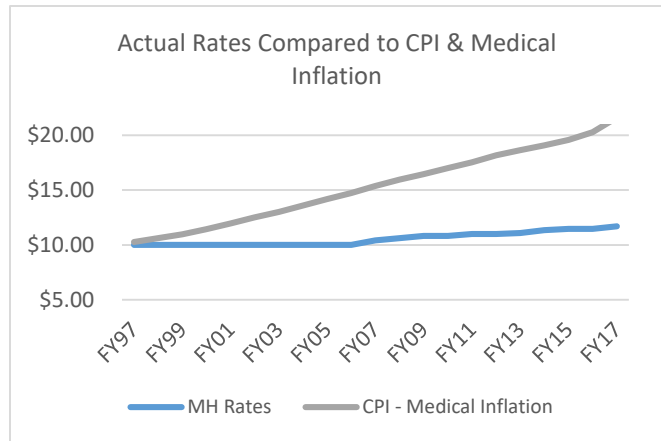
## RISING COSTS AND STAGNATING REIMBURSEMENT = CRISIS

Had mental health reimbursement been indexed to medical inflation, \$10 in 1997 would be reimbursed at \$19 today, instead of its current rate of \$11.36. Instead, providers face costs that have risen with medical inflation, while reimbursement has lagged far behind.

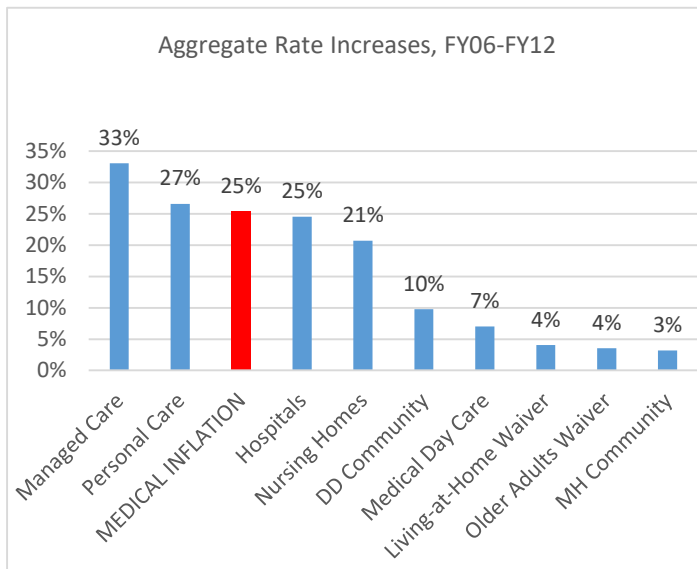
This has resulted in a crisis for the continuum of behavioral health care in Maryland. In a study of CBH members<sup>2</sup> from FY14 to FY15:

- Average profit margin declined by 50%; and
- Net assets declined by 14% as members struggled to meet rising demand.

In our sample, **42% of community behavioral health providers operated at a deficit.**



## INDEXING REIMBURSEMENT TO MEDICAL INFLATION: AN EQUITABLE APPROACH



Maryland can solve its behavioral health crisis by indexing reimbursement to medical inflation.

Behavioral health is unique among health sectors in its stagnating reimbursement. ***In Maryland, reimbursement for most health sectors has kept pace with medical inflation.***<sup>3</sup> Medical inflation is one of the eight components making up the Consumer Price Index (CPI).<sup>4</sup> It includes the cost of professional services and equipment. Because personnel costs make up the largest component of behavioral health providers' costs, medical inflation reflects providers' rising cost of doing business.

<sup>1</sup> See BHA, "PMHS Quarterly Report Through December 2014," available at: <http://bha.dhmh.maryland.gov/RESOURCES/Documents/Data/PMHS%20Quarterly%20Report%20Through%20December%202014.pdf>. Cross-referenced with inflation adjustments via BLS.

<sup>2</sup> CBH study includes: Alliance, Archway Station, Arundel Lodge, Carroll County Youth Services Bureau, Center for Children, Channel Marker, Charles County Freedom Landing, Cornerstone Montgomery, Crossroads Community, Family Services, Garrett County Lighthouse, Harford-Belair Community Mental Health Clinic, Key Point Health Services, The Mental Health Center of Western Maryland, Mosaic Community Services, Omni House, Pathways, People Encouraging People, Prologue, Rehabilitation Systems, Southern Maryland Community Network, Upper Bay Counseling & Support Services, Vesta, and Way Station.

<sup>3</sup> Dept. of Legislative Services, [Comparative Rate Increase Analysis, FY06-FY12](#).

<sup>4</sup> Bureau of Labor Statistics: <http://www.bls.gov/cpi/cpifact4.htm>.