

December 14, 2018

Charles Smithson  
Secretary of Senate  
State Capitol Building  
LOCAL

Carmine Boal  
Chief Clerk of the House  
State Capitol Building  
LOCAL

Dear Ms. Boal and Mr. Smithson:

Enclosed please find copies of reports to the General Assembly relative to the Assertive Community Treatment Reimbursement Rates Report.

This report was prepared pursuant to the directive contained in Iowa Acts, Chapter 1056.21.

Please feel free to contact me if you need additional information.

Sincerely,



Mikki Stier  
Deputy Director

Enclosure

cc: Kim Reynolds, Governor  
Senator Amanda Ragan  
Senator Mark Costello  
Representative David Heaton  
Representative Lisa Heddens  
Legislative Service Agency  
Kris Bell, Senate Democrat Caucus  
Josh Bronsink, Senate Republican Caucus  
Natalie Ginty, House Republican Caucus  
Kelsey Thien, House Democrat Caucus



Department of  
**HUMAN SERVICES**

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***Assertive Community Treatment  
Reimbursement Rates Report***

**December 15, 2018**

## Executive Summary

The 2018 Iowa Acts Chapter 1056 Sec. 21 requires that, “The Department of Human Services review the reimbursement rates for assertive community treatment and shall report recommendations for reimbursement rates to the governor and the general assembly by December 15, 2018. The recommendations shall address any potential sustainable funding.”

The following summarize the findings and conclusions of this report:

- Iowa Medicaid spends about \$4.9 M. per year for Assertive Community Treatment (ACT) services.
- The current ACT reimbursement rate of \$51.07 per diem is lower than the actual average per diem cost of providing ACT.
- The scope of this study did not include a review of the method Iowa Medicaid uses for reimbursing ACT. The current method should not be changed unless it can be assured such a change will not have unintended consequences on current ACT teams.
- Based on information gathered from Iowa ACT providers and from an internet review of ACT costs:
  - The average annual cost of an ACT team is between \$1.15 M. and \$1.3 M.
  - The average number of individuals served by an ACT team each month is between 74 and 78 individuals.<sup>1</sup>
  - The average annual cost per individual served is between \$15,455 and \$16,937.

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<sup>1</sup> This is an average number of individuals served each month. ACT teams serve more individuals throughout the year as individuals are added to the team’s caseload when others leave because the individuals no longer need this intensive service. Literature in the field suggests full sized ACT teams can serve between 85 and 100 individuals at any point in time.

- The average per diem costs of ACT using Iowa Medicaid’s current reimbursement methodology and reported caseloads is:
  - Between \$67.23 and \$67.75<sup>2</sup> per day; or
  - Between 32 to 33 percent higher than Iowa Medicaid’s current ACT reimbursement rate.
- The estimated total additional amount needed by Iowa Medicaid in SFY20 to reimburse existing ACT teams at the actual average per diem cost is between:
  - \$1.55 M. total state and federal funds (\$609,061 general funds); and
  - \$1.6 M. total state and federal funds (\$625,575 general funds)
- 2018 Iowa Acts Chapter 1056 requires the number of ACT teams to increase. The estimated total additional amount needed by Iowa Medicaid in SFY20 to reimburse new ACT teams<sup>3</sup> at the actual average per diem cost is between:
  - \$1.2 M. total state and federal funds (\$482,375 general funds); and
  - \$1.3 M. total state and federal funds (\$497,907 general funds)

<b>Estimated Fiscal Impact of ACT Reimbursement Rate Changes</b>			
Category	Current Rates (\$51.07)	Low Estimate (\$67.23)	High Estimate (\$67.75)
<i>Existing ACT Teams</i>			
Estimated Total Cost	\$4,900,000	\$6,449,236	\$6,499,119
Total Increase		\$1,549,236	\$1,599,119
<b>State Share Increase</b>		<b>\$606,061</b>	<b>\$625,575</b>
<i>2018 Iowa Acts Ch. 1056 Increased Number of Teams</i>			
Estimated Total Cost	\$3,900,000	\$5,133,066	\$5,172,768
Total Increase		\$1,233,066	\$1,272,768
<b>State Share Increase</b>		<b>\$482,375</b>	<b>\$497,907</b>
<i>Grand Total</i>			
Estimated Total Cost	\$8,800,000	\$11,582,302	\$11,671,887
Total Increase		\$2,782,302	\$2,871,887
<b>State Share Increase</b>		<b>\$1,088,437</b>	<b>\$1,123,482</b>

<sup>2</sup> This rate was calculated based on the average annual cost per team divided by the average individuals served per team divided by 250 billable units per person per year to make the rate comparable with the rate methodology Iowa Medicaid uses.

<sup>3</sup> The SFY2019 appropriation provided added funding for an increase in the number of ACT teams at the current reimbursement rate. This estimate is the additional amount needed for these additional ACT teams at a higher reimbursement rate. The fiscal note also projects the cost for an increased number of ACT teams in SFY20 at the current reimbursement rate. Note: ACT teams are not yet increasing at the rate assumed in the Iowa Acts Chapter 1056 fiscal note.

## Introduction

The December 15, 2017 Complex Service Needs Workgroup Report states that, “Assertive Community Treatment (ACT) provides interdisciplinary team-based individualized, flexible treatment and supports to individuals with mental illness in their home and community, 24 hours a day, seven days a week, 365 days a year. ACT team members are trained in the areas of psychiatry, social work, nursing, substance use disorder treatment, and vocational rehabilitation. Individuals served usually have schizophrenia, other psychotic disorders (e.g., schizoaffective disorder), or bipolar disorder (manic-depressive illness); or are experiencing significant disability from other mental illnesses and are not helped by outpatient treatment models.”

Extensive peer reviewed research has long proven that ACT is a highly effective approach to engage and support individuals with severe and persistent mental illness (SPMI) resulting in fewer in-patient psychiatric hospital admissions, fewer emergency department visits associated with mental illness and improved success living in the community including securing and maintaining safe, decent, affordable, integrated housing and employment.

The 2018 Iowa Acts Chapter 1056 Sec. 13 requires the mental health and disability services (MHDS) regions develop and provide improved access to an array of services designed to better serve individuals with an SPMI that have complex service needs. As part of these added requirements to better serve individuals with an SPMI, the Act requires MHDS regions to develop and provide access to twenty-two (22) ACT Teams in strategic locations throughout the state. This is double the number of ACT Teams than are currently established.

For many years Iowa had six (6) ACT teams operated by five (5) providers. Recently the number of teams has grown to eleven (11). This is a result of support provided by MHDS regions and investments by community mental health providers through the use of federal community mental health block grant awards or other sources of funding.

The Iowa Medicaid fee schedule states that ACT is to be reimbursed “\$51.07 per day for each day on which a Team meeting is held. Maximum of 5 days per week.” (Iowa Administrative Code 441 -- 79.1(2) Basis of reimbursement of specific provider categories.) The current method should not be changed unless it can be assured such change will not have unintended consequences on current ACT teams, although a review of this methodology may be warranted.

The fee and reimbursement methodology was arrived at in July 2009 after the Centers for Medicare and Medicaid Services directed the Iowa Medicaid to discontinue paying ACT using a monthly rate per person. Iowa Medicaid converted the then monthly rate to a daily rate that allows a reimbursement for each day the ACT has a team meeting up to five days per week. The daily rate was calculated so that the ACT teams were reimbursed a rate at about the same amount they were receiving using the monthly rate. The ACT reimbursement rate has not increased since July 2009.

## Discussion

### Iowa Data

Five (5) established, fully operational ACT providers were asked to voluntarily submit cost study and utilization data using a standardized reporting format. Four (4) of the providers submitted data. Some portions of the four (4) providers' data ranged too widely from the norm to be reasonably utilized and were eliminated from the study. A summary of the results of the cost study and utilization data without the outlier data is as follows:

- Average annual cost of an ACT team \$1,146,224
- Average number of individuals per ACT team 74
- Average annual cost per individual served \$15,455
- Average per diem cost using Iowa Medicaid's current reimbursement method \$67.23

Six (6) other providers have ACT teams, but they are still developing and not fully operational. One provider voluntarily submitted study data for two developing ACT teams. The data was not actual cost data, but per forma budget information. The data provided by these two teams seemed reasonable and comparable with other developed teams. Because this information did not reflect actual experienced costs and these ACT teams are not fully developed, data from these providers were not used in this section of the report. Instead their data was added to the data from "Other Comparable Data" below.

### Other Comparable Data

As a check on the validity of the data obtained from Iowa ACT providers, the Department undertook internet research regarding the amount other states reimburse ACT. The Department found that other states reimburse ACT in a variety of different ways. Most states pay daily rates when a member of the ACT team has a face-to-face encounter with the individual served. Other states pay different rates for various portions

of ACT services (i.e., The daily rate for a face-to-face encounter by a team member is reimbursed at a daily rate plus a 15 minute unit rate paid for face-to-face physician services.) These approaches are significantly different than how Iowa Medicaid reimburses ACT. These variations in reimbursement methodology make it difficult to make valid comparisons of Iowa ACT reimbursement rates with reimbursement rates of other states.

As a result, the Department modified its internet research to locate the actual full cost of ACT by individual or by team. This data was analyzed based on the number of units of billing that could be billed in Iowa and, in the case of cost by team, the average number of individuals served by an ACT team. All cost data was inflated forward using the consumer price index.<sup>4</sup> The two not fully developed Iowa ACT teams that provided per forma budget information were added to this analysis.

The cost information that was found is summarized below with references to the source documents in Appendix A:

- The West Virginia Mental Health Planning Council summary states that, “The National Alliance for Mentally Ill (NAMI) reported in 2003 that rigorous economic studies have found that when Teams adhere closely to the ACT program model, the costs are offset by reduced hospitalization costs. While many factors affect the cost of ACT, a ballpark figure is \$9,000 to \$12,000 per year per person.”
- The Harvard Mental Health Letter May, 2011 reported that, “The National Alliance on Mental Illness estimates that ACT services cost roughly \$10,000 to \$15,000 per person per year.”
- In 2018, “The Connecticut News Project reported on an Assertive Community Treatment Team, or ACTT. The ACT Team serves about 75 clients, most of whom have psychotic disorders...  
...Connecticut now has three ACT Teams, each of which costs about \$1 million, funded by the state Department of Mental Health and Addiction Services...”

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<sup>4</sup> Because ACT has long been established as a highly effective service very little current research on costs and funding of ACT is available. Therefore some of the data found is older than would be ideal.

- The PACT Advocacy Guide by NAMI Technical Assistance Center reports that in 2004 PACT costs between \$10,000 and \$15,000 per person.
- Public Safety in Vancouver, Canada report that the costs for an ACT Team, including housing costs, are between \$1.4 and \$1.6 million in 2012.
- The Washington State Institute for Public Policy reports that in December 2013 program costs for ACT are \$14,000 per person.

The information related to the number of individuals served per Team is summarized below with the source of the information listed in Appendix A:

- Psychiatric Services December 2006 reports in research by Gary S. Cuddeback, Ph.D. Joseph P. Morrissey, Ph.D. Piper S. Meyer, Ph.D. that a large Team of 10 staff can serve 100 individuals and smaller Teams can serve 60 to 70 individuals
- Georgia Department of Behavioral Health and Developmental Disabilities “supports 22 ACT Teams serving more than 1,700 people in Georgia.” This is about 77 individuals served per ACT Team.
- Genesis Health System reported in August 2017 that “the Davenport (Iowa) ACT Team (operated by Vera French community mental health center) will launch with six Team members and could be serving up to 80 individuals with serious mental illness by the end of the first year of full operation. He (Richard Whitaker) said the ACT Team will be able to add approximately six new clients each month until the Team is actively treating 80 to 100 individuals.”

The range of the data in the review is quite wide. The following shows the results if outlier numbers are not included in the analysis:

- |  |             |
|--|-------------|
| • Average annual cost of an ACT Team   | \$1,321,163 |
| • Average number of individuals per ACT Team is approximately  | 78          |
| • Average annual cost per individual served  | \$16,937    |
| • Calculated average per diem cost assuming 250 billable days per person based on Iowa Medicaid’s current reimbursement method | \$67.75     |



## Findings and Conclusions

The following summarize the findings and conclusions of this report:

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  - \$1.3 M. total state and federal funds (\$497,907 general funds)

## Appendix A

### References

Assertive Community Treatment Implementation Resource Kit DRAFT VERSION 2003  
[http://www.wvbhpc.org/docs/10.ACT\\_infoPMHA.pdf](http://www.wvbhpc.org/docs/10.ACT_infoPMHA.pdf)

The Harvard Mental Health Letter May, 2011  
[https://www.health.harvard.edu/newsletter\\_article/assertive-community-treatment](https://www.health.harvard.edu/newsletter_article/assertive-community-treatment)

The Connecticut News Project, Copyright 2018,  
<https://ctmirror.org/2013/02/25/Team-provides-intensive-support-people-mental-illness/>

Missouri ACT Reimbursement (updated 9/17/13)  
<https://dmh.mo.gov/docs/mentalillness/actreimbursementsept2013.pdf>

The PACT Advocacy Guide by NAMI Technical Assistance Center  
<http://www.nebhands.nebraska.edu/files/NAMIguide.pdf>

Public Safety in Vancouver, Canada  
<https://www.publicsafety.gc.ca/cnt/cntrng-crm/plcng/cnmcs-plcng/ndx/snpss-en.aspx?n=483>

The Washington State Institute for Public Policy  
<http://www.wsipp.wa.gov/BenefitCost/Program/283>

Psychiatric Services December 2006 reports in research by Gary S. Cuddeback, Ph.D.  
Joseph P. Morrissey, Ph.D. Piper S. Meyer, Ph.D.  
<https://ps.psychiatryonline.org/doi/pdf/10.1176/ps.2006.57.12.1803>

Georgia Department of Behavioral Health and Developmental Disabilities  
[http://dbhdd.org/blog/wp-content/uploads/2015/03/act\\_one\\_pager.pdf](http://dbhdd.org/blog/wp-content/uploads/2015/03/act_one_pager.pdf)

Genesis Health System, August 2017  
<http://www.genesishealth.com/news/2017/assertive-community-treatment-Team-launched/>