

# Community-Based **Mental Health** Services Fee for Services Conversion

\*\*\* As Amended January 10, 2005 \*\*\*  
Changes denoted in bold and underlined



**Barbara Flynn Currie**  
*Majority Leader*

Illinois House of Representatives  
93<sup>rd</sup> General Assembly

July 2004

## Community Based Mental Health Services Fee for Services Conversion

### MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING, is entered into this 2nd day of July, 2004, by and between the Illinois Department of Human Services Division of Mental Health (hereinafter “the Department”), the Governor’s Office of Management and Budget, Mattie Hunter, Vice-Chairperson of the Senate Health & Human Services Committee, Dale Righter, Republican Spokesperson for the Senate Health & Human Services Committee, Rosemary Mulligan, the Republican Spokesperson for the House Special Committee on Fee-For-Service Initiatives and Barbara Flynn Currie, Chairperson of the House Special Committee on Fee-For-Service Initiatives, and hereinafter referred to as “the parties”.

### WITNESSETH

WHEREAS, the State of Illinois has an obligation to provide for the health, safety, and welfare of its citizens;

WHEREAS, the primary mental health mission of the Division of Mental Health is to help maximize community supports and develop skills for persons with serious mental illness and children with serious emotional disturbance;

WHEREAS, A steering group of the stakeholders in the conversion to fee-for-service payment methodology will be developed to represent the interests of the larger stakeholder group while facilitating timely discussion and decisions on matters requiring immediate resolution. This steering group is to include one representative from each of the following organizations; Community Behavioral Healthcare Association of Illinois, Illinois Association of Rehabilitation Facilities, National Alliance for the Mentally Ill, Illinois Hospital Association; two consumer representatives; legislative representation and a supportive housing provider whenever discussions are held on housing matters;

WHEREAS, the DHS and the stakeholders have agreed upon the selection of an expert consultant, Health & Human Services Consulting, LLC, with specific and broad expertise with regard to community mental health programs financed in part by Title XIX. DHS has or will enter into separate contractual arrangements with the expert consultant and nothing in this memorandum will impose any contractual obligations upon the expert consultant or grant to the expert consultant any rights as a third party beneficiary or any related rights with regard to the fee-for-service conversion;

WHEREAS, beginning on July 1, 2004 Mental Health providers in the State of Illinois will begin the first step in a phased-in conversion to a fee-for-services payment methodology;

WHEREAS, it is the agreement of the parties that this Memorandum of Understanding is entered into in order to make a smooth transition to a fee-for-service methodology; but it is not intended

to expand entitlement programs beyond those that already exist, or may in the future be enacted, under federal or state law.

**The Parties Agree to these Good Faith Provisions:**

1. The Department and related Mental Health care providers will develop reinvestment and enhancement strategies to expand resources and increase efficiency;
2. The fee-for-service reinvestment and efficiency strategy will promote consumer access and choice, as well as provider sustainability, based upon equitable reimbursement for quality services provided in response to demonstrated need;
3. Strategies should include long-term solutions and include a review and assessment process. Planning must occur to develop an appropriate infrastructure for the fee for service initiative reinvestment and efficiency strategy. Client choice, financial and programmatic accountability, access and continuity of care will guide planning decisions;
4. The Mental Health care providers will assist the State in ensuring the availability of affordable, accessible, accountable, and quality community services by working to increase federal funds capture, as appropriate, while ensuring a system that facilitates serving consumers with easy access to services and supports, utilizing fee-for-services, grants, and any other necessary financing vehicles along with the necessary technology and business services. Each provider's rights and obligations with respect to the Department are set forth in its annual award agreement with the Department **as amended**, and nothing in this Memorandum shall impose any contractual obligations upon the providers or grant to the providers any rights as a third party beneficiary or any related rights with regard to the fee-for-service conversion. The necessary technology and business services will include, but not be limited to:
  - a) processes sufficient to maintain/track/improve access to services;
  - b) enable appropriate retroactive claiming;
  - c) increase appropriate Medicaid claiming;
  - d) implement appropriate administrative support and claiming; and
  - e) participate in system planning, implementation, and monitoring according to the plans developed by the Steering Committee in consultation with the expert consultant.

**The Parties Agree to these Requirements:**

5. The Department will retain the services of Health & Human Services Consulting, LLC, **or other contracted agent, as** the expert consultants selected by the stakeholders and the Department, to provide facilitation, technical assistance, guidance, and expert consultation necessary to actualize the requirements of this Memorandum of Understanding. The Department will make periodic progress reports to the Senate Health & Human Services Committee, the House Special Committee on Fee-For-Service Initiatives (or its successor in the 94th General Assembly, if any) and the Governor over the next several months, specifically including reports in September, October, November, and December of 2004, and bi-monthly thereafter through June 30, 2005;

6. Mental health providers will begin the initial steps of the planned phase-in of the conversion from a grant-in-aid to a fee-for-service payment system will span at least two (2) years. Each contract with a community mental health service provider will provide that, upon meeting its contractual service requirements, payments to that provider will be equal to contract levels set in Fiscal Year 2004, with the exception of any adjustments made in the enacted budget **and/or Medicaid performance issues as described**, through at least June 30, 2005. **For FY 2005 advance payments for anticipated Medicaid claims will not be considered grants, but instead will be handled in accord with the provisions of the Illinois Finance Act (30 ILCS 105/9.05);**

**It is understood that for FY 2005 the provider's actual Medicaid revenue earned versus non-Medicaid expenses will be compared to established desired performance targets. Should actual performance vary from the targets, the specific basis for reconciliation will be applied as follows: (a) all Medicaid services claimed for which payment has been advanced shall be reconciled on a service bases and (b) all other advanced payments shall be reconciled by expenses. These performance targets however, reflect anticipated revenue generated by Medicaid vs. non-Medicaid but are flexible within individual agency total contracted award;**

7. The Department will compose a service taxonomy that reflects the new system and further determine how to facilitate the transition between a billing code and service title. The service taxonomy will include actual text describing what the service does and does not include. Included in this are specifications in the form of a covered services section of a provider manual that details service definitions, billing codes, billing procedures, documentation requirements, provider qualifications, units of service and rates, on a service-by-service basis;
8. The Department, with stakeholder input, will finalize the service taxonomy, including services not previously claimed as Title XIX. This information will be distributed to all providers at the earliest possible date. The Department will conduct an orientation training for the Field Test participants two weeks before the Field Test begins. The service taxonomy will be designed to advance investment and efficiency strategies, and comply with all applicable federal laws and requirements. Any services that have not previously been billed to Medicaid such as vocational supports must be carefully defined in terms of what is and is not reimbursable through Medicaid; the Expert Consultant will provide technical assistance to the Department with regard to service taxonomy and Medicaid reimbursement issues;
9. In collaboration with the expert consultant, the Department will produce a "Strategic Vision Report for Mental Health" similar to the "Getting Reports on the Developmental Disabilities System". This Strategic Vision Report will be completed by April 30, 2005, and will serve as the foundation for subsequent analysis and discussion of rate methodologies and services provided under the community mental health system;
10. Once the Department has issued a provider manual and conducted orientation training for providers not participating in the Field Test, these providers will begin reporting service units on a monthly basis in order to develop familiarity with the fee-for-service process;

11. Effective July 1, 2004, Mental Health providers will begin receiving monthly advances. In Fiscal Year 2005 this will include projected Federal Financial Participation (based on Fiscal Year 2004) in contract amount;
12. The Department will continue to pay equal rates for the same service, regardless of the source of funding (Medicaid or non-Medicaid);
13. The Department and providers will continue efforts at retrospective claiming. Providers have already begun this process and the Department will continue to identify previous billings that may be resubmitted for Medicaid match. The Department will provide ongoing technical assistance regarding retroactive billing to providers as needed;
14. Unique client identifiers will be implemented by the Department as soon as possible but no later than July 1, 2004. The Unique Client Identifiers will be:
  - a) Provider oriented - no cards will be issued to the client;
  - b) A two-phase process- The Department will match agencies' existing client data for the past two years and assign, as needed, by July 2, 2004. For new clients, agencies will access the unique client identifier via a 1-800 telephone number, fax machine number, or e-mail;
15. The Department should provide Community Agencies with the option of submitting ROCS data via electronic will File Transfer Protocol (FTP) with July 2004 service reporting in order to more rapidly and easily submit data; and
16. The Department will address confidentiality issues, and provide technical assistance to providers with regard to practices and safeguards providers can adopt in order to comply with HIPAA health related information confidentiality requirements;
17. The providers will work with the Department to test the premises of the conversion by doing system runs of the Department's Federal Financial Participation proposal beginning July 1, 2004;
18. Trial advance and reconciliation will begin during the 2nd Quarter of Fiscal Year 2005 for a limited Field Test of providers, with initial reconciliation in the 3rd Quarter of Fiscal Year 2005:
  - a) Thirty agencies will be selected or allowed to volunteer for the Field Test with selection criteria based on representative samples reflecting differences in agency size, geographic location, level of Medicaid billing, and orientation to special populations or services;
  - b) The Department shall report to the Senate Health & Human Services Committee, the House Special Committee on Fee-For-Service Initiatives (or its successor in the 94th General Assembly, if any) and the Governor on the success of the reconciliation with these thirty providers in the Field Test prior to moving any other providers to the Fee-

For-Service methodology. The expert consultant shall conduct an evaluation of the completed Field Test involving the initial 30 test providers and submit a report to the Senate Health & Human Services Committee, the House Committee on Fee-For-Service Initiatives and the Governor, together with any recommendations for change that should be taken into consideration in any expansion;

- c) DHS will have authority to expand the limited test group taking into consideration the evaluation and recommendations of the expert consultant, but at no time earlier than the start of the 3rd Quarter. The providers included in any expansion of the Field Test may do so on a strictly voluntary basis;
  - d) A preliminary written evaluation of the advance and reconcile billing system will be completed by December 30, 2004;
  - e) To assist all agencies in the transition to Fee-For-Service, all agencies will receive technical assistance and training beginning in the 2nd Quarter of Fiscal Year 2005;
  - f) The results of the field test will inform refinements in the system on an ongoing basis;
  - g) Trial reconciliation will begin for all agencies in the 4th Quarter of Fiscal Year 2005 for services and reporting in the 3rd Quarter of Fiscal Year 2005;
  - h) Upon the conclusion of all successful field testing, the Department may proceed toward full reconciliation beginning in Fiscal Year 2006 based on the recommendation of the expert consultant and the signatories to this Memorandum. In the event substantial refinement is recommended by the expert consultant based on the field analysis, the Department shall make adjustments based on those recommendations before proceeding to full conversion;
19. The evaluation of the Mental Health Conversion Field Test should be designed to focus on consumers' ability to receive services, quality of the services funded, the fiscal sustainability of the involved provider agency, the impact on the conversion initiatives primary objectives, the benefits and viability of moving to Fee-For-Service, and an assessment of conversion impact on each individual provider. The design of this evaluation will be the focus of the Mental Health Stakeholders Workgroup and the outside consultant and the results of the analysis are to be submitted in writing to all the members of the Senate Health & Human Services Committee, the House Special Committee on Fee-For-Service Initiatives (or its successor in the 94th General Assembly, if any) and the Governor by April 30, 2005;
20. After the initial Field Test and prior to the inclusion of the voluntary groups, additional terms and conditions may be added to the Field Test if deemed necessary by the Department and the expert consultant and upon the agreement of the signatories of this Memorandum;
21. Participants in the fee-for-service Field Test will not be at any risk of any revenue reductions due to reconciliation with reported service units. Providers will be accountable only for expenses as is the current practice. Providers will be expected to submit adequate data to allow Medicaid claiming to be done;

22. The Department will be responsible for developing a monthly meeting schedule for the Chief Executive Officers or agency directors of the thirty providers in the Field Test to meet with the Department consultant and a representative of the Department of Public Aid to review pre-determined outcomes of the field test and address issues concerning access, fiscal changes, and programmatic changes;
23. The Department must develop an internet-based communication system among the participants in the Field Test to ensure a rapid exchange of information on issues related to the conversion;
24. The contracts themselves will include (or be amended to include): (a) the requirement that all services must meet the conditions of 59 ILAC 132 (as amended from time to time), (b) provisions for the reconciliation of payments with services, and (c) Medicaid billing targets, and incorporate by reference the Department's provider manual once promulgated;
25. The State will seek the services of a contractor to develop an appropriate State plan amendment with regard to pursuing administrative and support claims; the Department's expert consultant will provide oversight to ensure that the administrative and support claiming mechanisms are consistent with the fee-for-services claiming process and applicable federal law;
26. Transition to fee-for-service will include a safety net to ensure that access to services is not disrupted by providing technical and physical support for providers having difficulty reaching projected fee-for-service billings. This proposal is to be developed in writing. The expert consultant will assist the Department in acquiring expertise and availability to provide technical support as a safety net provision of the conversion process. The Department will identify the technical assistance team members and contact information that agencies can contact if assistance is needed. This information will be distributed to the Field Test providers prior to the 2nd Quarter of Fiscal Year 2005 and distributed to the remaining providers during the 2nd Quarter of Fiscal Year 2005;
27. The Department will process billing information and vouchers for payment to providers in a timely and efficient manner. Beginning January 1, 2005, the Department will identify providers who experience severe financial hardship as a result of the conversion to a fee-for-service payment methodology pursuant to criteria and procedures established for that purpose. The Department will request the assistance of the Illinois Office of the Comptroller, as necessary, to give providers experiencing severe financial hardship priority payments in accordance with established inter-agency policies and practices;
28. There will be a revised distribution of Mental Health Trust Fund receipts. Beginning with State Fiscal Year 2005, the first \$95,000,000 received by the Department shall be deposited 26.3% into the General Revenue Fund and 73.7% into the Community Mental Health Medicaid Trust Fund. Amounts received in excess of \$95,000,000 in fiscal years 2005 and 2006 shall be deposited 50% into the General Revenue Fund and 50% into the Community Mental Health Medicaid Trust Fund. This policy will be reexamined prior to fiscal year 2007;

29. The Department will employ an independent 3rd party consultant to undertake an analysis of the historical cost of all community services provided through the Division of Mental Health with stakeholder involvement. This analysis should evaluate historical costs within the system against other publicly funded programs including other states' programs and other private sector programs and existing fiscal policy and articulate the relationship between expenditures, individual need and quality. The expert consultant will be available to assist the Department. An extensive status report must be completed and reported to all members of the Senate Health & Human Services Committee, the House Special Committee on Fee-For-Service Initiatives (or its successor in the 94th General Assembly, if any) and the Governor in writing by March 31, 2005 with a final analysis due by April 30, 2005;
30. If the Governor's Office of Management and Budget imposes a general reserve requirement across most or all State agencies, this reserve will not be imposed upon Mental Health community providers;
31. Any written report agreed to be provided by any party to this Memorandum of Understanding must also be provided to the Speaker of the House, the House Minority Leader, the President of the Senate, and the Senate Minority Leader.

IN WITNESS WHEREOF, the Parties have caused this Memorandum of Understanding to be executed by their authorized representatives on the 2nd day of July, 2004.

**For the Department of Human Services:**



Carol L. Adams, Secretary

**For the Governor's Office of Management & Budget:**



John Filan, Director



Barbara Flynn Currie, Chairperson  
House Special Committee on  
Fee-For-Service Initiatives



Mattie Hunter, Vice-Chairperson  
Senate Health & Human Services Committee



Rosemary Mulligan, Republican Spokesperson  
House Special Committee on  
Fee-For-Service Initiatives



Dale Righter, Republican Spokesperson



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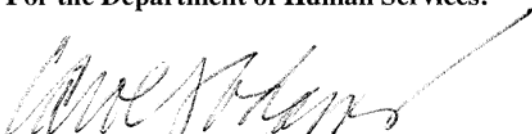
**Addendum — Memorandum of Understanding  
As Amended January 10, 2005**

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The Parties who have caused this memorandum of Understanding to be executed by their authorized representatives hereby approve changes incorporated into this Memorandum of Understanding, As Amended on the 10th day of January, 2005.

IN WITNESS WHEREOF, the Parties have caused this Memorandum of Understanding to be executed by their authorized representatives on the 10<sup>th</sup> day of January, 2005.

**For the Department of Human Services:**

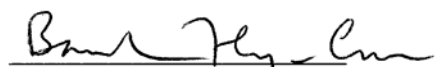


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