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States' Decision on Expanding Medicaid Will Impact Inpatient Psychiatric Care

The percentage of a hospital's indigent patients is likely to be much higher on psychiatric wards so that diminished DSH payments next year will disproportionately affect psychiatric care in states that don't expand Medicaid rolls.

By Mark Moran

States that opt not to expand their Medicaid rolls when that option becomes available next year under the Affordable Care Act may be courting disaster.

That's because beginning next year at the same time the Medicaid expansion becomes an option, the federal government will begin to reduce—ultimately by 50 percent—what are known as Disproportionate Share Hospital (DSH) payments that general hospitals receive for care of the uninsured.

States that do not expand their Medicaid rolls to those earning 133 percent of the federal poverty level will continue to bear the burden of care for the uninsured, but with substantially less federal DSH support. And since a great many of those uninsured are psychiatric patients, the funding shortfall is likely to fall heavily on the care of mentally ill individuals.

Joseph Parks, M.D., medical director of the Missouri Department of Mental Health, is raising alarms about this little-discussed provision in the ACA that he believes could dramatically affect state mental health budgets in ways that will affect patient care. Parks contacted *Psychiatric News* and began raising red flags with colleagues in other states after a study undertaken at the direction of Missouri Gov. Jay Nixon (D) looked at the pros and cons of Medicaid expansion on four Missouri hospitals—CoxHealth-Springfield; St. Joseph Health Center-St. Charles/Wentzville; Truman Medical Center-Lakewood; and Twin Rivers Regional Medical Center-Kennett.

Following are major findings of the report:

Under the ACA, Missouri hospitals will lose about \$250 million in federal reimbursements for the charity care they provide, regardless of whether the state extends eligibility.

The hospitals included in this study will lose between \$1.0 million and \$10.6 million in federal indigent care reimbursements annually under the DSH reduction, depending on the hospital's size. Since 24 percent to 58 percent of charity care that these hospitals provide annually occurs on their inpatient psychiatric units, the hospitals will be forced to cut adult acute psychiatric beds as the DSH cuts take effect.

If community hospital psychiatric beds close, there will be increasing pressure on elected officials to open state acute psychiatric beds. The operating costs for state-operated acute beds would average approximately \$850 a day, or about \$31 million a year for every 100 beds, not including capital costs.

In an interview with *Psychiatric News*, Parks noted that there will be downstream effects on patients in the community. He said individuals who are seriously mentally ill and in crisis are often involuntarily committed to acute inpatient care for diagnosis and treatment by Missouri's courts.

“The additional loss of acute psychiatric beds will create even greater problems for county sheriffs and city law-enforcement departments that must transport these patients, often for long distances, in search of a psychiatric inpatient bed,” he said. “Local law-enforcement officers already stay at the hospital emergency rooms and inpatient units for many hours as these patients are admitted to care. This situation will worsen.”

Parks said states that rely heavily on DSH payments will be the most dramatically affected next year if they do not expand their Medicaid rolls to cover the uninsured. The DSH payment reduction will begin next year regardless of a state’s decision regarding expansion; in the first years of expansion a state would receive full federal matching funds but be liable for 10 percent of costs by 2020. While a dollar-for-dollar comparison is difficult, in most instances the net effect of expansion would be an increase in funding, while in states that have relied very heavily on DSH payments, the effect of not expanding could be devastating.

Irvin “Sam” Muszynski, J.D., director of APA’s Department of Healthcare Systems and Financing, said his analysis of the ACA confirms that the effects Parks has found in Missouri could be felt nationwide in states that opt not to expand Medicaid rolls.

Howard Goldman, M.D., editor of the APA journal *Psychiatric Services* and an expert on mental health parity and Medicaid policy, concurred. “The loss of DSH payments for uninsured patients creates a strong incentive for states to elect to participate in the Medicaid expansion under the ACA,” Goldman told *Psychiatric News*. “Failing to expand Medicaid, however, will make it difficult to reduce the reliance on state psychiatric hospitals for uninsured individuals. In many states, uninsured patients will not be admitted to general hospitals and will continue to be admitted to state-operated facilities. States will have to pay for the care with state dollars without the federal participation for Medicaid and without the cost-offset from federal DSH payments for individuals who have no insurance at all.”

Joel Miller, senior director of policy and health care reform for the National Association of State Mental Health Program Directors (NASMHPD), went further, saying the reduction in DSH payments along with other factors affecting mental health funding—such as sequestration and the continuing exclusion from Medicaid payment of Institutions of Mental Disorders—could create a “perfect storm” of a crisis in public mental health.

“We believe it’s going to be the worst of all worlds if several states that rely heavily on DSH payments choose not to participate in the Medicaid expansion,” Miller told *Psychiatric News*. “States that do not opt into the expansion are really going to be caught in a very tight payment vise as they try to provide care to the uninsured with psychiatric conditions because they are going to be getting little or no compensation from federal agencies.”

Miller said the effects will not be confined to inpatient psychiatric beds because many states also use the DSH payments to shore up resources for residential and outpatient services. He said NASMHPD has been alerting policymakers at the federal and state levels to pay attention to what may have major public health consequences.

Parks agreed. “I think we should make sure that the legislators making decisions about Medicaid expansion are fully informed about this potential disaster for access to psychiatric inpatient care and emergency rooms,” he told *Psychiatric News*. “I have not seen this particular issue discussed in the individual state dialogues around whether or not to expand Medicaid, but it certainly needs serious consideration.”