



Whole Health Campaign Policy Brief: *Financing Health Care Reform*

Financing Health Care Reform

Health care reform has the potential to strengthen our economy, close the insurance gap, slow the growth of long-term health care spending, and improve the quality of life of millions of Americans. These potential benefits can only be realized, however, if health care reform is financed at an adequate level and through an appropriate range of funding mechanisms.

Areas of Financing

In order to have the greatest benefit, health care reform will have to address the financing mechanisms at every part of our health care system. This includes, but is not limited to, the following:

- Insuring the uninsured and improving coverage for the underinsured
- Building upon the public health and “safety net” infrastructure
- Strengthening the health care workforce for both primary care and specialty care, including addiction and mental health professionals.
- Implementing health information technology and training staff in its use
- Expanding prevention, screening, and wellness promotion efforts
- Increasing the integration of primary and specialty care
- Putting clinical and comparative effectiveness research into practice
- Providing recovery support services for people with chronic diseases and other complex health conditions

Each of these areas directly affects people with mental health conditions or substance use disorders, and the health care needs of this population (about 60 million Americans) must be taken into account by health care reform.

Financing Mental Health and Addiction Services

Currently, the financing for treatment of mental health and substance use disorders is significantly distinct from other areas of health care. For example:

- Only about 10% of addiction treatment and 24% of mental health expenditures are paid for by **private insurance**. The average across our health care system is 37%.
- The **safety net**—funded with federal block grant dollars matched by state and local governments—is an essential part of the mental health and addiction

- treatment system. For example, about 40% of state-funded addiction treatment is paid for by the Substance Abuse Prevention and Treatment Block Grant.
- **Medicaid** is the leading payer for mental health services. Medicaid addiction services vary widely from state to state, however Medicaid is the second largest overall addiction treatment payer, despite the fact that persons with addictive disorders cannot qualify for Medicaid through a Supplemental Security Income (SSI) determination. Over \$30 billion is spent annually in Medicaid on mental health and substance use disorder services.
 - The **criminal justice system** is a significant payer for mental health and addiction services (over \$67 million was spent in FY 2008 on substance use disorder treatment in federal prisons alone), however the services are severely inadequate compared to high percentage of people in prison with mental health conditions or substance use disorders.
 - **Medicare** spends about \$8.3 billion annually on mental health and substance use disorder services. Individuals whose primary disability is a substance use disorder do not qualify for **Social Security Disability Insurance (SSDI)**.

Principles for Financing Mental Health and Substance Use Disorder Services

- **Increase private insurance coverage.** Mental health conditions and substance use disorders must have parity with other medical conditions in private insurance plans. The Wellstone-Domenici Mental Health Parity and Addiction Equity Act of 2008 will help reduce discriminatory benefits packages. However, this change in benefits policy must be accompanied by changes in medical management to ensure that beneficiaries can access the level of care that their clinician feels is most appropriate.
- **Protect the safety net.** The Substance Abuse Prevention and Treatment Block Grant and the Community Mental Health Services Block Grant, among other safety net funding sources, must be both preserved and strengthened. The safety net is an integral part of the nation's mental health and addiction treatment system and provides care to patients with nowhere else to turn for needed services.
- **Strengthen Medicare and Medicaid.** Medicare and Medicaid are an irreplaceable source of funding for mental health and addiction treatment. The Medicare Improvements Act of 2008 will reduce the now-discriminatory mental health co-payment from 50% down to 20% by 2014—this represents a vitally necessary step to ensure that Medicare beneficiaries can access care. In addition, substance use disorders should be recognized as the disabilities they are, and individuals whose primary disability is a substance use disorder should be eligible for **Supplemental Security Income (SSI)** or **Social Security Disability Insurance (SSDI)**. As part of health care reform, addiction treatment standards in Medicaid should be significantly strengthened. The Institutions for Mental Disease (IMD) Exclusion, which prevents adults from qualifying for Medicaid if they receive mental health or addiction services in a facility with over 16 beds, should be re-examined and modified as needed to ensure that Medicaid patients are receiving the most effective possible care. People with substance use disorders should be eligible for SSI and SSDI as are others with chronic diseases.

- **Encourage financing systems that reward coordinated care and chronic disease management.** People with mental health conditions or substance use disorders often require chronic care management similar, for example, to the ongoing services provided to people with diabetes. In addition, many people with mental health conditions or substance use disorders have other co-occurring health conditions. Because of these frequent co-morbidities, it is essential that people be able to access both mental health and substance use disorder benefits, as well as care for their other chronic diseases. This care must be provided in an integrated way. Integrated and chronic care management must be enhanced through federal funding mechanisms designed to support ongoing care models like the patient-centered medical home and bundled payments for integrated care. Furthermore, providers of evidenced-based services should receive added support for demonstrating improved outcomes.

Specific Reform Recommendations on Mental Health and Substance Use Care and Prevention

Three documents have been prepared to define in detail the specific recommendations of the mental health and substance use fields around national health reform. These three documents are:

Benefit Design and Delivery of Care
Reforming the Healthcare Delivery System
Wellness Promotion and Chronic Disease Prevention Initiatives

We will be glad to provide either an e-version or paper copy of each of these documents.

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