

# Drug and Alcohol Treatment Services in a Managed Care Environment

## Report Highlights

This report assesses the impact of managed care on the treatment services provided to persons with substance abuse problems. Of particular concern were issues of compliance with Act 1989-106, which mandates certain minimum benefits for persons with a substance abuse dependency.

### Study Findings:

- *Administrative complexity.* Pennsylvania's drug and alcohol treatment system involves multiple funding streams and regulatory agencies, including the Departments of Health, Public Welfare, Insurance, Corrections, and others. With so many agencies involved, it is difficult to implement a coordinated statewide strategy.
- *Cost shifting.* Cost shifting occurs at several levels. Commercial managed care firms may deny or provide inadequate care, which can shift costs to public programs. Within the public sector, costs are often shifted between substance abuse and mental health, Medicaid, children & youth, and criminal justice programs. Such cost shifting is due, in part, to inadequate funding of county substance abuse programs.
- *Dual Diagnosis.* Over one-third of persons with a substance abuse problem also have a mental health diagnosis. Despite this close relationship, the two systems are not well coordinated, in part because the Depart. of Health (DOH) regulates drug and alcohol providers whereas DPW regulates mental health providers.
- *Confidentiality.* DOH regulations impose strict confidentiality requirements on drug and alcohol providers. Providers that furnish the records managed care firms require to authorize and pay for services may find themselves in violation of these confidentiality regulations.
- *Commercial Managed Care Provides Different and Fewer Treatment Services.* PA appears to mirror the national trend of commercial managed care plans providing fewer units of service and less intensive levels of care than 10 years ago. For example, the average length of stay for residential rehab for one major PA provider fell from 15.4 days in 1992 to 6.2 days in 2001. Lengths of stay in public programs such as HealthChoices are much longer (over 25 days). Public sector programs also provide significantly more outpatient sessions than do

commercial managed care plans. The report outlines various reasons for these differences.

- *Act 106.* Act 106 requires group insurance plans to cover certain minimum benefits for substance abuse treatment (e.g., 30 days of residential care annually). Because the actual benefits provided are well below Act 106 levels, we inquired into state efforts to enforce the act. We found that few formal appeals have been filed, in part due to the complexity of the appeal procedure. As a result, the issue has not been a high priority within either DOH or Insurance. A Nov. 2002 letter from the Insurance Chief Counsel, however, has elevated the issue and provides support for treating physicians having a greater say in client treatment plans.

### Key Recommendations:

- *PA's organizational structure governing substance abuse treatment programs should be streamlined and strengthened.* Options include a cabinet-level agency reporting directly to the Governor, two separate offices within DPW (substance abuse and MH), or one combined office within DPW.
- *The Insurance Department should promulgate regulations to reinforce Act 106's provisions, including consideration of a separate Act 106 complaint process and prohibiting insurers from denying treatment for insureds under court supervision.*
- *If the Department of Health's upcoming letter does not resolve the confidentiality dilemma, it should revise its regulations to allow greater disclosure flexibility.*
- *If primary responsibility for mental health and substance abuse services remains in separate departments, additional efforts should be made to better coordinate the two programs.*
- *DPW should reduce the 30-day period during which HealthChoices-eligible clients receive services from the Single County Authorities.*
- *The General Assembly should consider requiring insurers to report additional data on the drug and alcohol services they fund.*