

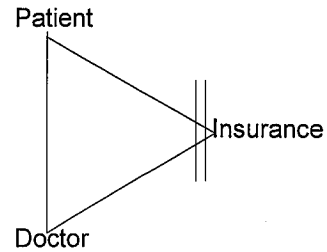
Medicaid Reform

Testimony to the Kansas Senate Public Health and Welfare Committee

Ira Stamm, Ph.D., ABPP

Topeka, Kansas
January 18, 2012

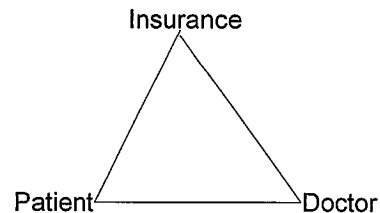
Before Managed Care



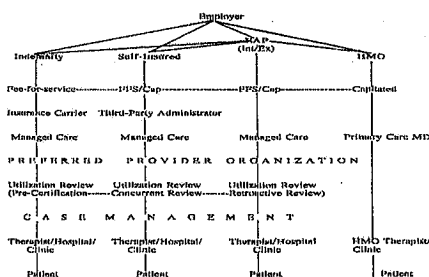
Introduction

Dear Madam Chairwoman and members of the Committee. Thank you for the chance to talk to you today. My name is Dr. Ira Stamm. I am a psychologist who has been taking care of patients for 45 years. In 1991 when I was still with the Menninger Clinic in Topeka I had one of the more interesting opportunities and experiences in healthcare. Menninger was trying to decide whether to enroll in managed care networks. Over a four year period I traveled with colleagues from the marketing and business side of Menninger to the headquarters of about 100 insurance companies across the nation. Our task was to learn about the programs offered by these managed care companies and, in turn, to educate those companies about the treatment services available at Menninger. During my travels I also visited about 200 hospitals, clinics, and doctors offices. I also attended numerous managed care conferences. Over a four year period I witnessed first hand the dramatic transformation taking place in healthcare in America. Since then I have continued to study, teach, and write about managed care. As Kansas embarks upon a major expansion into Medicaid managed care, I thought it would be helpful for me to share with the committee some of what I have learned about managed care.

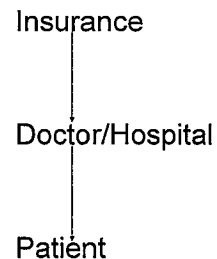
Within managed care



MANAGED CARE FLOW CHART



Within managed care



MILGROM & ROBERTSON

Measuring and Projecting Direct Costs of Mental Illness in Health Plans

Costs of Mental Illness Untreated and Inappropriately Treated Behavioral Conditions

Scenario #2

- Major Depression Single Episode
- Untreated or Inappropriately Treated
- Recurrent Major Depressive Episodes
- Untreated or Inappropriately Treated Bipolar Disorder
- Multiple Acute Inpatient Hospitalizations
- Intensive Outpatient
- Detoxification
- Medication Management
- Psychotherapy

Estimated Direct Cost: \$40,000,000

Fee-for-Service vs. Capitated Systems Characteristics

| | FFS System | Capitated System |
|---|----------------------|-------------------|
| Covered Lives | 100,000 Lives | 100,000 Lives |
| Primary Care MDs | 35 - 50 MDs | 80 MDs |
| Specialty MDs | 70 MD Specialists | 40 MD Specialists |
| Hosp. Beds/Inpat. Days | 276 Beds/350 Days | 150 Beds/279 Days |
| Utilization of Alternative Delivery Sites | Minimal | Extensive |
| Annual Premium | \$3,500 PMPY | \$1,200 PMPY |
| Total Budget | \$350,000,000 | \$120,000,000 |
| | \$230,000,000 | |

MILGROM & ROBERTSON

Measuring and Projecting Direct Costs of Mental Illness in Health Plans

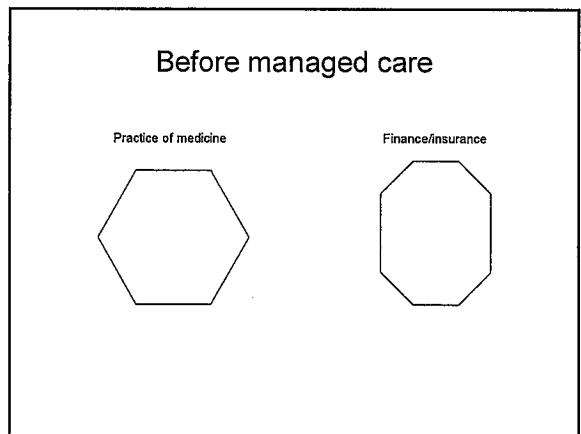
Costs of Mental Illness Untreated and Inappropriately Treated Behavioral Conditions

Scenario #1

- Major Depression Single Episode
- Early Intervention Recognition and Treatment
- Single Acute Inpatient Hospitalization
- Intensive Outpatient
- Medication Management
- Psychotherapy

Full Return to Premorbid Functioning

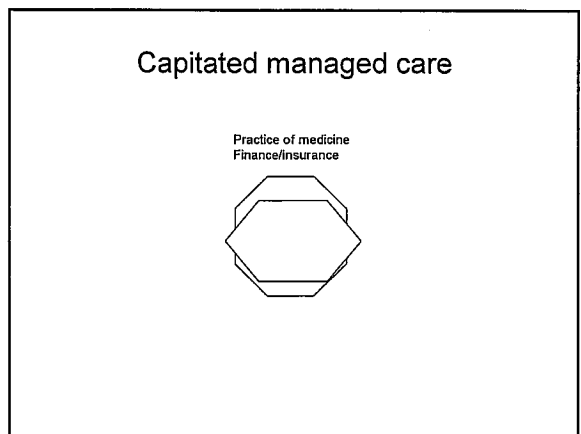
Estimated Direct Cost: \$12,000,000

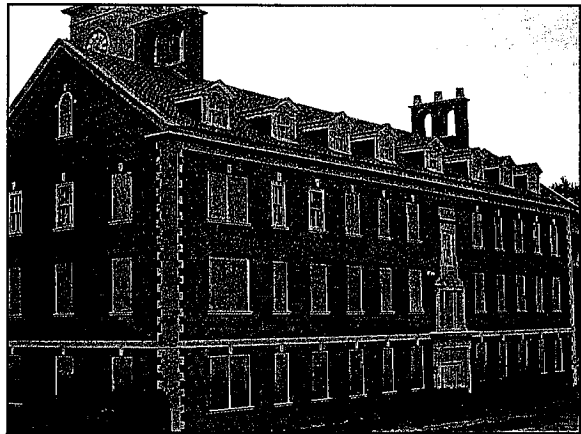


Comparative Utilization Data

CHAMPUS CPA Norfolk Demonstration Project

| | Unmanaged | OPTIONS |
|--|-----------|---------|
| More Beneficiaries Covered: | 219,764 | 259,253 |
| Patients Seen Doubled: | 7,600 | 15,640 |
| Inpatient Admissions (Per Thousand) Up Slightly: | 5.64 | 6.7 |
| Partial Hospitalization (Per Thousand) Introduced: | 0 | 4.6 |
| Average Cost Per Inpatient Admission Reduced: | \$18,539 | \$3,185 |
| Average Length of Stay Reduced: | 58.11 | 9.1 |
| Outpatient Days (Per Thousand) Increased: | 427 | 856 |





The New Math of Managed Care

220 beds at \$1,000 a day =
\$80,300,300 a year gross income

220 beds at \$ 400 a day =
\$32,120,000 a year gross income

24-bed unit with 1-year average length of stay needs
24 admissions a year

24-bed unit with 7-day length of stays needs
1251 admissions a year

Outpatient therapy fees reduced from \$115 an hour
to \$65 dollars an hour



**Retail and Allowable Fee (CPT 90806) –
45-50 Minutes Individual Psychotherapy – Ph.D.**

- Independent practice - Topeka - \$120-150
- Community Mental Health Centers - \$???-185
- EAP (Employee Assistance Plan)/MSW/Ph.D. - \$25-120
- Kansas Medicaid - \$60
- Commercial insurance – Group 1 - \$60-80
- Medicare Part B - \$87.32
- Commercial insurance – Group 2 - \$70-95
- Commercial insurance - Group 3 - \$110-150
- Independent Practice – New York City - \$???-\$400

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