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Medicaid Managed Care Plans Place More Burden on Patients and Families with Severe Mental Illness, *AJP* Study Shows

Arlington, Va. – Managed care health plans for Medicaid patients with schizophrenia and other severe mental illnesses may result in lower costs to the Medicaid system, but lead to greater personal expenditures and higher caregiver burden for patients and their families, new research indicates. This cost pattern was revealed in an analysis of total societal costs for 628 patients in the Tampa Bay area, to be published online Jan. 15 by *The American Journal of Psychiatry (AJP)* (<http://ajp.psychiatryonline.org/pap.dtl>), the official journal of the American Psychiatric Association.

The study, “Medicaid Managed Care and the Distribution of Societal Costs for Persons With Severe Mental Illness” by David L. Shern, Ph.D., president and CEO of Mental Health America, and colleagues at the Louis de la Parte Florida Mental Health Institute at the University of South Florida in Tampa, will also appear in the February 2008 print issue of *AJP*.

“We have long known that the burden to families of patients with severe persistent mental illness is considerable and includes situations for which families are not prepared, such as violence and drug abuse,” said *AJP* editor-in-chief Robert Freedman, M.D. “We published this study because it documents the magnitude of this burden.”

The comparison was based on a natural experiment in 1997–1999 that resulted from the state of Florida’s inaugural attempts to manage community mental health care through a Medicaid waiver for the Tampa Bay area. Two types of managed care plans were introduced: a health maintenance organization (HMO) and a plan with a behavioral health “carve-out,” which provided mental health care and general health care through separate systems. The patients enrolled in the HMO and those in the carve-out actually received services from the same community mental health center providers. Therefore, Shern and his colleagues say, any differences between the managed care plans reflect the plans themselves, not the care providers.

The analysis compared costs for patients in the two managed care plans and those who remained in the standard fee-for-service Medicaid plan. Total societal costs were calculated by adding separate estimates for Medicaid, other government programs, and private sources. The other government programs included non-Medicaid health care, criminal justice, public housing, supplemental security income, and food stamps. The private sources were earned government transfer income (such as veterans’ benefits), private income, and money and time contributed by family and friends. The financial value of this time was based on the minimum wage, and this informal care accounted for the majority of the private costs reported.

The managed care strategies employed by plans led to savings within the Medicaid budget, but these savings were offset by personal expenditures and the contributions of family and friends of the enrollees in the managed care plans. Managed care was not associated with increased overall costs to non-Medicaid government programs.

Despite the Medicaid-specific savings, society's total costs were not reduced by managed care. This wider public health perspective is especially important when considering patients with long-term disabling illnesses, who have multiple needs that cross different types of services and payers. Although an earlier report by the same authors indicated similar clinical outcomes for the patients in the three plans studied, the outcomes may have depended in part on substantial contributions from families and friends. Cost substitution may further impoverish already destitute individuals and result in inefficient treatment.

“It is critically important to understand all costs when evaluating the impact of these financing strategies,” said lead author David Shern, Ph.D. “Without this information, we can make very bad policy choices.”

The study was funded in part under a contract with the Florida Agency for Health Care Administration and a grant from the U.S. Substance Abuse and Mental Health Services Administration.

Reference:

Shern DL, Jones K, Chen HJ: Medicaid Managed Care and the Distribution of Societal Costs for Persons With Severe Mental Illness. *Am J Psychiatry* (published online January 15, 2008; doi:10.1176/appi.ajp.2007.06122089)

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