



Maintain the 80% Direct Spend Requirement for Medicaid Managed Care Plans – A Consumer Protection Strategy

- ❖ Section 409.912(4)(b), Florida Statutes, requires HMOs and prepaid mental health plans to spend 80 percent of their Medicaid mental health capitation rate on direct behavioral health care (the medical loss ratio).

“To ensure unimpaired access to behavioral health care services by Medicaid recipients, all contracts issued pursuant to this paragraph shall require 80 percent of the capitation paid to the managed care plan, including health maintenance organizations, to be expended for the provision of behavioral health care services. In the event the managed care plan expends less than 80 percent of the capitation paid pursuant to this paragraph for the provision of behavioral health care services, the difference shall be returned to the agency.”

- ❖ For purposes of this section, behavioral health services are defined by the Agency for Health Care Administration as community mental and targeted case management services. They do not include other spending such as hospital inpatient, hospital outpatient and prescribed drug services.
- ❖ To protect its system investment and to protect consumers, the Florida Legislature specifically added the direct-spend provision when HMOs were first authorized to provide mental health services to their Medicaid members.
- ❖ On numerous occasions, HMOs have asked the Agency for Health Care Administration to redefine community mental health to include other services and even attempted to amend Florida Statutes to eliminate this provision in the 2005 and 2006 legislative sessions.
- ❖ If the 80 percent direct spend requirement is eliminated, HMOs and other managed care organizations would be able to reduce benefits and limit essential care without regard to their capitation. Historically, HMOs have spent as little as 70% of their mental health capitation rate on mental health services and had to repay spending shortfalls to the state.
- ❖ Consumers will lose benefits and costs will be shifted to the Department of Children and Families and other state and local agencies.
- ❖ Many other states' Medicaid programs have a mental health direct spend requirement on HMOs. Some set the percentage requirement as high as 85 to 90 percent.