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The Honorable Cecile Bledsoe, Chair
The Honorable Deborah Ferguson, Vice-Chair
Public Health, Welfare, and Labor Committee
Arkansas General Assembly
State Capitol
Little Rock, Arkansas 72201

Dear Senator Bledsoe and Representative Ferguson:

I am writing on behalf of freestanding psychiatric hospitals and residential treatment facilities owned and operated in Arkansas by Universal Health Services, Acadia Healthcare, and WoodRidge Behavioral Care; a complete list of the facilities is attached to this letter.

We requested the opportunity to speak to the Public Health Committee regarding the proposed rule for the new Outpatient Behavioral Health Services Program, which is Item D on the Public Health's November 17, 2016, agenda. Our request was prompted by concerns that the discussion of behavioral health reform has thus far focused almost exclusively on the outpatient program that will replace RSPMI, and little attention has been given to the implications of these changes for the acute (emergency) and residential (subacute, longer-term) inpatient treatment provided by these facilities and others like them around the state.

Our concern was particularly raised when we saw the budget estimate for the behavioral health transformation at the last Public Health Committee, which showed a savings of over $50 million per year for acute and residential inpatient psychiatric care**. That represents a cut of one-third of the total annual budget for those children's services.**

While we are supportive of serving mentally ill children and adults in the most appropriate settings and we support the addition of home- and community-based services that the behavioral health transformation seeks to incorporate into the Arkansas Medicaid program, we are concerned that assuming a cut of 1/3 of inpatient children's services is not realistic, given the serious needs of the children currently receiving those services and the provider capacity in Arkansas to make the switch to the new model of service provision.

The misperception exists among some people that inpatient services, particularly residential treatment, are available to any Medicaid child upon request by a parent, teacher, social worker, juvenile probation officer, or other involved party. That is not the case. All residential treatment admissions are reviewed by Beacon, and extensive justification is required, including recommendations from schools, evidence of failure of less intensive services, and realistic discharge planning from day one of the stay. Medicaid will not pay for these services unless Beacon certifies them as medically necessary. These services are not available on demand.

Furthermore, Medicaid inpatient services in general are not profit generators for these providers. Most providers' reimbursement rates closely approximate the costs of providing the services. For the psychiatric hospitals,

maintaining a residential treatment unit contributes to a continuum of care in order to have a placement for children whose acute (emergency) hospitalizations have resolved but who still require 24/7 care in a lower setting.

We met yesterday with DBHS Director Charlie Green and his staff to discuss our concerns about the assumed savings. We understand that the savings are an estimate based on information from a number of other states and that the savings are absolutely contingent on the successful implementation of the other pieces of the behavioral health transformation.

While we support the transformation of Arkansas' behavioral health system, we felt that it was essential to communicate to the members of the Committee that many unanswered questions still remain about how the new system will be administered, how the transition to the new system will be managed, and the implications of the proposed changes in the outpatient system for the inpatient treatment services. We also felt that it was important to point out that almost 60% of the projected annual savings from the transformation are premised upon a 1/3 reduction in spending for services for the most seriously mentally ill children in the system. We believe that we collectively owe it to ourselves to go into the transformation process with our eyes open and with an understanding of the uncertainty of many of the details that are yet to be worked out.

We know that your meeting time is short and there are two other items of significant interest on the agenda. However, we appreciate your taking the time to hear our concerns regarding these very important issues.

Sincerely,

Shane Frazier, CEO
Pinnacle Pointe Behavioral Healthcare System

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Freestanding Psychiatric Hospitals and Residential Treatment Facilities:

Universal Health Services, Inc.
Pinnacle Pointe Hospital, Little Rock
The BridgeWay, North Little Rock
Rivendell Behavioral Health Services, Benton
Springwoods Behavioral Health, Fayetteville

Acadia Healthcare
Vantage Point Behavioral Health Hospital, Fayetteville
Piney Ridge Treatment Center, Fayetteville
Valley Behavioral Health, Barling
Riverview Behavioral Health, Texarkana

WoodRidge Behavioral Care
OakRidge Behavioral Center, West Memphis
WoodRidge Northeast at Oak Ridge, West Memphis
WoodRidge Behavioral Care, Forrest City
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