



# Behavioral Health Redesign Rate and Fiscal Impact Study Findings

Behavioral Health Redesign is a two-year project that began July 2024 to redesign legacy Medicaid rehabilitative services. The project was authorized by the General Assembly through the 2024 Appropriations Act (Item 288.XX) and is part of the Right Help. Right Now. Plan to transform Virginia's behavioral health system. Year 1 of the project focused on research, stakeholder input, policy and service design, a rate study, and a fiscal impact study. The authorizing language requires that this project retire legacy community mental health rehabilitative services (intensive in home, therapeutic day treatment, mental health skill building, and psychosocial rehabilitation, and targeted case management for mental health), replacing the homegrown legacy services that were implemented in the mid to late 1990s with an array of evidence-based, trauma-informed services. The budget authority language requires that all changes made are budget neutral. Service definition and rate changes will be accompanied by standardized assessments, supervision and oversight requirements, updated medical necessity criteria, and updated quality oversight processes across DBHDS, DMAS, and managed care health plans, to ensure that Virginians receive the right help at the right time to thrive in their communities and that the Commonwealth maintains a sustainable, high quality Medicaid program.

## Overview of Legacy Service Replacement Plan:

Services Being Retired July 1, 2026	New Services July 1, 2026
<ul style="list-style-type: none"><li>• Mental Health Skill Building</li><li>• Psychosocial Rehabilitation</li><li>• Intensive In Home Services</li><li>• Therapeutic Day Treatment</li></ul>	<ul style="list-style-type: none"><li>• Standardized Assessment for Level of Need (LON) Placement</li><li>• Community Psychiatric Support and Treatment (CPST) in community (youth and adult) and schools (youth)- Tier 1 and 2</li><li>• Coordinated Specialty Care for First Episode Psychosis</li><li>• Clubhouse International Model of Psychosocial Rehabilitation</li></ul>

*Targeted Case Management for Serious Mental Illness will be redesigned and changes will also be implemented July 1, 2026.*

## Key Outputs and Findings of Rate Study and Fiscal Impact Study:

- Actuarially sound rates for a total of 14 services that were under consideration for BH Redesign or 1115 SMI waiver were developed.
- Fiscal impact analysis indicated that BH spending on rehabilitative services has decreased significantly (40%) since 2018 when discussions of a budget neutral replacement array began, and that Virginia's children's system is underfunded compared to the adult system.
- A 1:1 approach using the new, actuarially sound rates applied to current utilization resulted in an estimate significantly higher than current spending, without the addition of key evidence-based practices

needed for a robust continuum. A more active, focused treatment approach will be required with the new services, including a Level of Need model.

- Under a Level of Need Model, CPST will be authorized under two Tiers (Tier 1 and Tier 2). Tier 2 more directly replaces current legacy services which require a high threshold of impairment and need. These services will range from 20-28 hours per month depending on the Level of Need. Tier 1 services, which will be a new service with a lower threshold for access, will range from 4-8 hours per month depending on the Level of Need to achieve budget neutrality. This will be a large paradigm and practice shift for providers of current mental health rehabilitative services. Due to current billing structures, we do not know how much face to face time providers are spending with clients, but we understand it to typically be higher than these ranges, primarily providing support versus active intervention.
- Medium bound (i.e., reflecting the 50<sup>th</sup> percentile) rates developed by Mercer were recommended for all services but this did not meet budget neutrality. Final budget neutral model proposed by Mercer included 95% of Medium bound rate as well as programmatic changes to Clubhouse (assumption of 50 members daily attendance vs. 25) and LMHP-Only assessments. These programmatic changes are not in line with broader system constraints, thus, DMAS proposed to move forward with 87% of Medium bound Mercer rates instead of the programmatic changes to Clubhouse and Assessments (Table 1).
- Savings are expected in other areas of behavioral health spending including Crisis, Inpatient, and Emergency Department, however, these savings cannot be captured as budget neutral under current authority. Additional authority would be needed to implement 100% of Medium rates for CPST and any additional recommended services. These additional costs are in Table 2. A public webinar announced this plan in July 2025. This allows for approximately 12 months of implementation activities such as regulation and policy implementation, internal and managed care system changes, contract changes, and provider readiness, licensing, and training.

**Table 1: Recommended Array and Rates for July 2026 Implementation.**

Service	Rate Type	Mercer Range	Rate (Budget Neutral)
Clubhouse International Model of Psychosocial Rehabilitation	Per Diem	\$62.21-\$85.31	\$72.41
Coordinated Specialty Care for First Episode Psychosis	Monthly Rate	\$2,308.00 (caseload 35) - \$2,183.00 (caseload 30)	\$2,308.00
Coordinated Specialty Care for First Episode Psychosis	Encounter Rate	(derivative of rate selected above)	\$381.00
Targeted Case Management for SMI and SED	Monthly Case Rate	\$329.79 - \$428.48	\$374.09
Standardized Comprehensive Assessment of Needs and Strengths (CANS Lifetime)	Unit Rate (90 min. each LMHP and QMHP)	\$22.31-\$29.67 per 15 min	\$323.42

CPST Specific Service*	Rate Type	Mercer Range	Recommended (Budget Neutral)
CPST — LMHP, Community	Per 15 Min	\$30.31 - \$46.48	\$33.24
CPST — LMHP, Center-based	Per 15 Min	\$22.99 - \$36.68	\$25.81
CPST — QMHP, Community	Per 15 Min	\$25.31 - \$32.55	\$25.66
CPST — QMHP, Center-based	Per 15 Min	\$18.77 - \$25.43	\$19.41
CPST — BHT, Community	Per 15 Min	\$20.49 - \$23.41	\$20.49
CPST — BHT, Center-based	Per 15 Min	\$14.69 - \$17.70	\$14.69

\*Group rates are also available in CPST and represent the individual rates divided by assumed group size

**Table 2: Services Recommended for Future Implementation for Full Array of Evidence Based Community Mental Health Services- requiring additional budget authority.**

Annual Non-Residential Services Estimates	Members Annually	Unit	Rate	Estimated Annual Cost
CPST funding to 100% of Mercer Medium bound rates	No add'l utilization	15 min	Rates vary by provider type	\$49,160,920
Coordinated Specialty Care (program expansion)	261	PMPM	\$2308.00	\$7,228,656
High Fidelity Wraparound	301	PMPM	\$2178.76	\$7,869,681
Pre- and post-tenancy supports	2444	15 min	\$33.32	\$19,544,179
Supported employment	178	15 min	\$47.72	\$2,038,598
Specialty Outpatient (TFCBT, etc.)	*	15 min	\$37.63	\$14,695,569
Specialty Outpatient (PCIT)	*	15 min	\$51.76	\$3,776,410
Annual Adult Residential and Specialty Crisis Services	Size	Rate	Est. Annual Per Facility/Unit Cost <sup>±</sup>	Estimated Annual Cost of 5 Facilities <sup>±</sup>
Supervised Apartments	4 Beds	\$ 314.37	\$ 458,980.20	\$ 2,294,901.00
Adult Group Homes	5 Beds*	\$ 659.05	\$ 1,202,766.25	\$ 6,013,831.25
Professional Resource Family Care	10 members	\$ 160.64	\$ 586,336.00	\$ 2,931,680.00
Crisis Therapeutic Group Homes	6 Beds	\$ 1,471.62	\$ 3,222,847.80	\$ 16,114,239.00

\*Cost is calculated by # staff estimated assuming 50% productivity (billable time).

<sup>±</sup>Estimated annual per facility cost uses the formula: size x rate x 365. Estimated annual cost of 5 facilities uses the formula: annual per facility cost x 5. Adult group home rates were also developed for 4 beds (\$823.82 rate) and 6 beds (\$549.21).