



TEXAS DEPARTMENT OF STATE HEALTH SERVICES

DAVID L. LAKEY, M.D.
COMMISSIONER

P.O. Box 149347
Austin, Texas 78714-9347
1-888-963-7111
TTY: 1-800-735-2989
www.dshs.state.tx.us

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To: Executive Directors
Local Mental Health Authorities (LMHAs)

From: Thomas F. Best, Director
Contractor Services Section
Mental Health and Substance Abuse Services Division

Lauren Lacefield Lewis, Acting Director
Program Services Section
Mental Health and Substance Abuse Services Division

Re: Local Planning and Network Development (LPND) Revisions in Performance Contract

We have received a number of questions and concerns about new provisions that were added to the Resource Development and Management section of the Performance Contract Notebook in the last contract amendment. In response, the language will be modified in the next contract amendment to address some of these issues. We are also providing a transition period for LMHAs who have existing contracts with external providers. Please interpret and implement these provisions in accordance with the following information.

“Pay external providers the current Medicaid rate for all clients, including clients who are medically indigent.”

The following modifications will be included in the next Performance Contract Amendment:

- Current contracts are exempt until they expire.
- This requirement only applies to outpatient mental health rehabilitation services if a fee-for-service payment methodology is used to pay the contractor.
- The full rate must be paid for services provided to indigent clients as well as to those with Medicaid benefits if a fee-for-service methodology is used to pay the contractor.
- LMHAs are not required to use a fee-for-service payment model for mental health rehabilitation services for Medicaid or medically indigent persons. An alternate

payment strategy, such as bundled payments, may be utilized if the LMHA and contractor reach agreement.

- It is permissible to pay providers a rate that is above the state's Medicaid rate for mental health rehabilitation services.

“If the LMHA performs provider functions on behalf of the provider, the LMHA may separately charge the provider a cost-based fee of up to 5% of the payment amount. An LMHA may not pay the provider a reduced rate in lieu of charging a separate fee. The LMHA must maintain documentation fully supporting its costs. An LMHA that charges a provider a cost-based fee must maintain documentation of the agreement, including the specific provider functions performed by the LMHA. The documentation must demonstrate that the activities performed by the LMHA are not authority functions supported by another funding source (e.g., Medicaid Administrative Claiming or DSHS funding). Remedies and sanctions as described in Section 19.02 of the General Provisions may be imposed for failure to comply with this term of the Program Attachment.”

The Medicaid rate provides reimbursement for the following activities:

- face-to-face services that constitute billable hours;
- other activities that are part of service delivery but are not billable (treatment planning, staffing, documentation, collateral contacts, telephone contacts, travel associated with service delivery, etc.); and
- provider overhead and administration.

These are examples of provider functions that are reimbursed through the rate Medicaid rate:

- Billing for services (submitting claim form, data, and/or documentation required for payment);
- Reporting;
- Staff training and supervision; and
- General administration.

Authority functions are funded through two mechanisms:

- The 10% allocation in the Performance Contract; and
- Medicaid Administrative Claiming.

LMHAs may not charge the provider for any authority function. These are examples of authority functions:

- Procurement of services;
- Contract management;
- Credentialing;
- Intake and initial assessment;
- Quality Management/Contract Management;
- Utilization Management;
- Billing on behalf of provider (e.g., transmitting claims to TMHP); and

- Provider relations (including general orientation and training related to contract compliance).

“Submit required information via a post-procurement report to DSHS within 30 days of completing a procurement described in the LMHA’s approved Local Network Development Plan. DSHS will disseminate the post-procurement report template through a broadcast message.”

The template for these post-procurement reports is attached. Procurement is complete when the awards have been made or it is determined that no awards will be made. Please submit a report for any procurements that have already been completed during this LPND cycle. Reports should be sent to:

- Tamara Allen: tamara.allen@dshs.state.tx.us
and
- Performance Contract Mailbox: performance.contracts@dshs.state.tx.us

Thank you for your efforts to develop provider networks and for the work you do on a daily basis. If you have any questions, please contact Tamara Allen at tamara.allen@dshs.state.tx.us or (512) 206-5007.