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# **PSYCHIATRIC RESIDENTIAL TREATMENT FACILITIES**

Report to the Texas Legislature

As required by the  
**2010-11 General Appropriations Act**  
(Article II, Health and Human Services Commission, Rider 65,  
S.B. 1, 81<sup>st</sup> Legislature, Regular Session, 2009)

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**Health and Human Services Commission**  
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## **Executive Summary**

Pursuant to the 2010-11 General Appropriations Act (Article II, Health and Human Services Commission, Rider 65, S.B. 1, 81<sup>st</sup> Legislature, Regular Session, 2009), the Health and Human Services Commission (HHSC) is required to analyze the benefit and cost effectiveness to the state of modifying the Intensive Psychiatric Transition Program (IPTP) and establishing a program for the provision of inpatient psychiatric services in Psychiatric Residential Treatment Facilities (PRTF) for children and adolescents in Medicaid. If it is determined to be cost effective, HHSC is to seek Centers for Medicare & Medicaid Services (CMS) approval to amend the Medicaid state plan and make any necessary regulatory change to provide inpatient services through PRTFs.

The Department of Family and Protective Services (DFPS) oversees the IPTP and receives an appropriation to provide structured, therapeutic step-down services for children and youth in state conservatorship requiring further stabilization following a hospital discharge to maximize the chances that their subsequent placement will be successful. Step-down services include ongoing psychiatric care in a controlled environment. The funding is used to provide specialized placement services in facilities contracted with DFPS to provide intensive psychiatric care.

CMS defines a Psychiatric Residential Treatment Facility as a non-hospital facility that has a provider agreement with a State Medicaid Agency to provide inpatient service benefits to individuals under age 21. PRTFs are optional under the state plan. Texas' state plan does not currently include coverage for PRTFs. However, inpatient psychiatric services are available in facilities licensed as an acute care or psychiatric hospital, or free standing psychiatric facilities that provide services to children.

HHSC conducted an analysis of the benefit and cost effectiveness of establishing a PRTF benefit in Medicaid and found:

- Texas Medicaid currently does not have a mechanism for certifying PRTFs. A certification process and clinical coverage criteria would need to be established to recognize PRTFs and ensure that the level of service and facility structure meet state and federal standards for the state to be eligible for federal Medicaid matching funds.
- The population that would be eligible for coverage in a PRTF through Medicaid (all children meeting the clinical criteria) is greater than the population served by the IPTP, which is currently limited to children in state conservatorship.
- The Medicaid cost of providing services in PRTFs could range from \$45.5 to \$67 million (all funds) annually and would exceed the cost to the state of providing services in the IPTP (\$2.4 million). It is unknown if the individuals receiving services in a PRTF would require a longer duration of treatment than assumed in this study or if the cost of providing services in this setting would be offset by a reduction in other medical services or reduced hospital readmissions.

As mentioned above, to add PRTF providers in Medicaid, the state would need to establish a coverage policy, criteria for clinical oversight and admission, and a certification process. In addition, utilization management processes would likely be necessary to ensure services are clinically appropriate and control cost. These administrative costs associated with implementing a PRTF program would be in addition to the per patient cost projection provided in this analysis.

## **Background and History**

### **Intensive Psychiatric Treatment Program History**

The 80<sup>th</sup> Texas Legislature appropriated funds to DFPS to provide residential psychiatric treatment services to children and youth in state conservatorship with emotional disturbances who are discharged from psychiatric settings and need additional treatment and support as they transition to a more traditional residential care setting.

The DFPS Child Protective Services division manages and oversees the foster care program, which provides placement for children in state conservatorship. Children in state conservatorship receive medical services through a comprehensive Medicaid managed care plan, STAR Health. The STAR Health plan was developed and designed to specifically address the unique needs of individuals in state conservatorship.

In 2007, DFPS developed the Intensive Psychiatric Transition Program (IPTP) and contracted with residential treatment facilities to provide structured, therapeutic step-down services for children and youth requiring further stabilization following a hospital discharge to maximize the chances that their subsequent placement will be successful. Placement into the program is limited to 60 days, but allows for extensions up to 120 days for individuals who require extended treatment for stabilization.

### **Psychiatric Residential Treatment Facilities**

#### ***Federal Requirements***

Federal law defines PRTFs as facilities, other than hospitals, that provide acute psychiatric services to individuals under the age of 21 in an inpatient setting.<sup>1</sup> PRTFs are recognized as an optional provider in Medicaid.<sup>2</sup> PRTFs are subject to the inpatient psychiatric requirements in federal law. Federal law limits inpatient psychiatric services to facilities that:

- Provide services under the direction of a physician.
- Are a non-hospital facility accredited by the Joint Commission (TJC)<sup>3</sup>, the Commission on Accreditation of Rehabilitation Facilities, the Council on Accreditation of Services for Families and Children (CASFC), or by any other accrediting organization with comparable standards that is recognized by the state.
- Comply with federal requirements on restraint and seclusion.

While PRTFs are not currently recognized as a Medicaid provider in Texas, there are facilities in Texas that currently contract with other state Medicaid programs to provide PRTF services to children from other states. Some facilities that currently provide PRTF services to out-of-state Medicaid recipients are affiliated with or owned by facilities licensed in Texas as a psychiatric hospital or free standing psychiatric facility. These facilities are licensed as residential treatment facilities because the level of service and staffing requirements differ from an inpatient

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<sup>1</sup> 42 CFR 483.352

<sup>2</sup> 1905 (h)(1)(A) of the Social Security Act.

<sup>3</sup> TJC was formerly known as the Joint Commission on Accreditation of Healthcare Organizations (JCAHO)

psychiatric facility. It unknown how many facilities would meet the requirement to be classified as PRTF in Texas, as the provider type is currently not recognized in the state and as such the specific staffing, facility structure, and oversight requirements are not defined in Texas. The state does not currently have statutory authority to license PRTFs in Texas.

### **Psychiatric Residential Treatment Facilities Models**

In conducting the required study, HHSC evaluated existing PRTF models in other states and found that PRTF providers vary by service array and accreditation, complicating the ability to discern the intended PRTF model to be assessed.

PRTFs provide “active treatment” (intended to reduce or eliminate symptoms or disease) to individuals with serious mental illness in need of psychiatric care. The duration of services in a PRTF may range from several weeks to several months contingent on the individual’s needs and the level of care provided: acute/subacute services - 0-60 days, intermediate step down services - 91-180 days, and extended services - 181 days and beyond. Medicaid would only pay for a length of stay in a PRTF that was considered medically necessary to treat an acute need, as Medicaid services must typically be provided in the least restrictive environment.

Services provided in a PRTF include but are not limited to:

- Assessment and treatment planning.
- Medication management.
- Daily structure and support.\*
- Skills development.\*
- Crisis behavior management.
- Respite.\*
- Diagnostic testing.
- Clinical and therapeutic services (psychotherapy and counseling).
- Health education.

*\*Services with an asterisk are not recognized Medicaid services under the state plan.*

## Comparison Table

Category	IPTP	PRTF
<b>Population</b>	In state conservatorship, a subset of the Medicaid population under age 21, with serious mental illness/disturbance	All children enrolled in Medicaid under 21 with serious mental illness/disturbance
<b>Services</b>	Transitional therapeutic step down services	Acute/subacute therapeutic treatment
<b>Duration of Care</b>	Length of stay 60-120 days	Based on medical necessity (but generally no more than 30-45 days)
<b>Requirements</b>	DFPS licensed and contracted residential treatment facilities	-Contracted with a state Medicaid program -Accredited -Physician directed care -Meets federal requirements on restraint and seclusion
<b>Funding</b>	General revenue supplemented with federal TANF and title IV.E (state conservatorship) funds	Medicaid general revenue and federal match
<b>Facilities</b>	Residential treatment center contracted with DFPS to provide intensive psychiatric services	Non-hospital psychiatric residential treatment center

### Texas Medicaid Coverage

Texas Medicaid provides covered inpatient and outpatient psychiatric services. Many of the services provided in a PRTF are currently available through rehabilitation and behavioral health services in the Medicaid program. However, the services provided may not be provided at the same intensity or in a controlled environment such as those in a PRTF.

Texas Medicaid enrolls acute care and psychiatric hospitals, and free standing psychiatric facilities for the provision of inpatient services. To enroll in Medicaid the providers must have a

valid provider agreement with HHSC and complete the Medicaid enrollment process. In addition, providers must also meet the following requirements:

Acute Care Hospitals must:

- Meet the state standards to be designated as a hospital.
- Be certified by Medicare.

Psychiatric Hospitals must:

- Meet the state standards to be designated as a psychiatric hospital.
- Be accredited by TJC, or if certified by Medicare meet TJC standards.

Freestanding Psychiatric Facilities must:

- Be accredited by TJC, or if certified by Medicare meet TJC standards.

These requirements could become part of a certification or licensing process if the state were to move forward with recognizing PRTFs as a Medicaid provider.

## **Existing Related Texas Requirements**

### ***Texas Requirements***

The Texas Administrative Code (TAC) does not include a definition of PRTF and no licensing mechanism exists for the provider type in Texas. The TAC does, however, provide a definition for freestanding psychiatric facilities, and establishes reimbursement of these facilities as hospitals.

The Texas Insurance Code (TIC) defines residential treatment facilities (RTC) for children under Alternative Mental Health Treatment Benefits. The TIC definition requires residential treatment facilities to provide residential care and treatment for emotionally disturbed children and adolescents and to obtain accreditation from one of three authorities: CASFC; TJC; or the American Association of Psychiatric Services for Children.<sup>4</sup>

While the residential treatment facilities acknowledged by the Texas Department of Insurance may meet accreditation standards, current standards would require further development to ensure compliance with federal regulations in recognizing PRTFs.

### **Psychiatric Residential Treatment Facilities in Other States**

Many state Medicaid programs license and enroll PRTFs as Medicaid providers to provide services to individuals under 21 years of age. Texas Medicaid enrolls freestanding psychiatric

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<sup>4</sup> TIC 1355.051

hospitals for the provision of inpatient psychiatric services for children. The following are examples of other state PRTF programs in Medicaid. The research shows that most state Medicaid programs have specific licensure established for PRTFs defining staffing requirements, facility structure and clinical admission criteria and provide coverage for acute services provided to children with severe mental health conditions needing inpatient psychiatric care.

### Examples of State Medicaid PRTF Programs

State	State Specific Licensing	State Specific Staffing and Operational Requirements	Admission Criteria
<b>Alabama</b> <sup>5</sup>	No	Yes	<ul style="list-style-type: none"> <li>• Must meet the state certification of need requirements.</li> </ul>
<b>Kansas</b> <sup>6</sup>	Yes	Yes	<ul style="list-style-type: none"> <li>• Meets standards established for inpatient psychiatric hospital care and be between 6-21 years of age.</li> <li>• Requires long-term inpatient psychiatric care or crisis stabilization more suitably provided by a PRTF rather than a psychiatric hospital.</li> <li>• Requires services on a continuous basis as a result of a severe mental or psychiatric illness, including severe emotional disturbances.</li> </ul>
<b>Kentucky</b> <sup>7</sup>	Yes	Yes	<ul style="list-style-type: none"> <li>• Meets standards established for inpatient psychiatric hospital care and be between 6-21 years of age.</li> <li>• Requires long-term inpatient psychiatric care or crisis stabilization more suitably provided by a PRTF rather than a psychiatric hospital.</li> <li>• Requires services on a continuous basis as a result of a severe mental or psychiatric illness, including severe emotional disturbances.</li> </ul>

<sup>5</sup> [http://www.medicaid.state.al.us/documents/Billing/5-G\\_Manuals/5G-2\\_Provider.Manual\\_Jan.2006/Jan06\\_33.pdf](http://www.medicaid.state.al.us/documents/Billing/5-G_Manuals/5G-2_Provider.Manual_Jan.2006/Jan06_33.pdf)

<sup>6</sup> [https://www.kmap-state-ks.us/Documents/Content/Provider%20Manuals/PRTF%20MANUAL\\_05212010\\_10066.pdf](https://www.kmap-state-ks.us/Documents/Content/Provider%20Manuals/PRTF%20MANUAL_05212010_10066.pdf)

<sup>7</sup> <http://mhmr.ky.gov/mhsas/Prtf.asp?sub1>

<b>State</b>	<b>State Specific Licensing</b>	<b>State Specific Staffing and Operational Requirements</b>	<b>Admission Criteria</b>
<b>Louisiana</b> <sup>8</sup>	Yes	Yes	<ul style="list-style-type: none"> <li>• Covered as residential institutional care.</li> </ul>
<b>North Carolina</b> <sup>9</sup>	Yes	Yes	<ul style="list-style-type: none"> <li>• Meet Diagnostic and Statistical Manual (DSM) requirements.</li> <li>• Home, community and other treatment settings not supporting treatment needs.</li> <li>• Demonstrates capacity for positive response to rehabilitative services.</li> <li>• Multiple failed hospital or other treatment episodes.</li> </ul>
<b>Oklahoma</b> <sup>10</sup>	Yes	Yes	<ul style="list-style-type: none"> <li>• Must meet the state's residential treatment admission criteria and two or more of the following: <ul style="list-style-type: none"> <li>•• Failed treatment with other levels of care.</li> <li>•• Behavioral, emotional, and cognitive problems requiring secured residential treatment with specific staffing ratios (1:1, 1:2, or 1:3).</li> <li>•• Stable with co-morbid conditions requiring specialized treatment.</li> <li>•• Full scale IQ below 40.</li> </ul> </li> </ul>

### **Cost Analysis**

In state fiscal year 2009, there were a total of 13,615 Medicaid children admitted to a hospital with a primary psychiatric diagnosis. Of those children admitted, 4,343 or 31.8 percent had multiple hospital admissions with a primary psychiatric diagnosis. The average reimbursement per admission was \$5,626 (all funds), with 14 days being the longest number of inpatient days per admission. The total dollars reimbursed for individuals with multiple hospital admissions was \$55,064,151 in state fiscal year 2009.

<sup>8</sup> [http://www.dhh.state.la.us/offices/publications/pubs-112/Psych\\_Res\\_Tx\\_Fac012004.pdf](http://www.dhh.state.la.us/offices/publications/pubs-112/Psych_Res_Tx_Fac012004.pdf)

<sup>9</sup> <http://www.ncdhhs.gov/dma/mp/8D1.pdf>

<sup>10</sup> <http://www.okdhs.org/library/policy/oac317/030/05/0095024.htm>

### *Cost Analysis Assumptions*

- Because federal regulations require that individuals receiving services in a PRTF require an inpatient level of care, for the purpose of this analysis, it is assumed that individuals receiving services in PRFT would have a diagnosis necessitating an inpatient level of care but would have received intensive stabilization through an enrolled psychiatric hospital or free-standing psychiatric facility prior to admission to a PRTF.
- It is assumed that individuals receiving PRTF services have greater than one psychiatric hospitalization episode and would benefit from continued treatment in a controlled environment.
- It is also assumed that individuals would receive an average of 30 days of care in the PRTF setting.
- Because the level of care and facility structure may differ in a PRTF, it is assumed the daily rate reimbursed for services in a PRTF setting may be less than that of hospital but would be provided for longer period of time.
- Since a rate for PRTF services is currently not established in Texas, reimbursement data from other states and the lowest rate currently reimbursed to existing freestanding psychiatric facilities were used to establish an approximate per diem reimbursement range of \$348.83 to \$518.24.<sup>11</sup> The range was used to generate the cost analysis.

Assuming the average duration of care would be 30 days and individuals with multiple hospital admissions would require treatment in a PRTF, the annual cost of providing PRTF services in Medicaid could range from \$45.5 to \$67 million (all funds). It is unknown if the individuals receiving services in the PRTF setting would require a longer duration of treatment then 30 days or if the cost of providing services in this setting would be offset by a reduction in other medical services or hospital readmissions.

In state fiscal year 2009, there were 76 children in foster care served in the IPTP. The average length of stay for successful discharge was 86 days. The IPTP reimburses services at a daily rate of \$374.33. Assuming children in foster care received an average of 86 days of treatment services in the IPTP, the cost of treatment would be approximately \$2.4 million (all funds). The IPTP helps enable successful placement for children who have unique medical needs.

While the average length of stay for successful discharge was 86 days in the IPTP, since the majority of children receiving services in Medicaid may differ from those served by the IPTP, and it was assumed that PRTF services would be provided following hospital discharge, the cost analysis assumed that the average length of stay in Medicaid would be 30 days. However, some clients would necessitate a longer duration of services.

If the addition of PRTF were to divert all subsequent hospital readmissions, assuming the average cost per admission (\$5,626) and number of clients served (4,343) would remain the same, the estimated annual savings would be approximately \$24.5 million. Based on this assumption, the estimated cost of providing services in PRTFs to all eligible Medicaid recipients

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<sup>11</sup> Cost data from the following states was used to derive the reimbursement range: Kentucky, Mississippi, Nebraska, Oklahoma, Oregon, and Texas. It resulted in an approximate per diem rate ranging from \$348.83 to \$518.24.

under age 21 would exceed the potential savings. Additionally, based on the assumptions provided above, the cost of providing PRTF services in Medicaid exceeds the current cost of the IPTP.

### **Cost Comparison**

	<b>IPTP</b>	<b>PRTF <sup>12</sup></b>
<b>Average Length of Stay</b>	86 days	30 days*
<b>Reimbursement</b>	\$374.33	\$348.83 to \$518.24*
<b>Number of Children Served</b>	76	4,343*
<b>Estimated Cost</b>	\$2.4* million (all funds)	\$45.5 to \$67* million (all funds)

*\*Items with an asterisk are estimates.*

### **Conclusion**

The benefit and cost effectiveness to the state of modifying the IPTP and establishing a PRTF benefit in Medicaid are as follows: children with severe mental health conditions who require longer inpatient care may receive intensive therapeutic services in a controlled environment. However, the costs of providing PRTF services in Medicaid exceed the current cost of the IPTP. Modifying the IPTP by extending it to Medicaid through the addition of a PRTF benefit would increase Medicaid expenditures because the population that would be eligible for coverage in a PRTF through Medicaid is greater than the population currently served by the IPTP. The total cost of providing Medicaid PRTF services could range from \$45.5 to \$67 million (all funds) annually or greater.

Children receiving services in the IPTP are eligible for a longer duration of service (60-120 days) and the IPTP helps enable successful placement for children in state conservatorship who have unique needs. Children in Medicaid may also be eligible for a longer duration of treatment if medically necessary. While the cost of PRTFs would increase Medicaid expenditures, it is unknown if long-term savings may exist if treatment in PRTFs is found to improve clinical outcomes and reduce the severity of mental health illness in children.

To implement this benefit in Medicaid a certification process and clinical coverage criteria would need to be established to recognize PRTFs and ensure that the level of service and facility structure meet state and federal standards for Medicaid federal financial participation.

<sup>12</sup> Source data: DFPS and HHSC data warehouse.

**Appendix A**

**Total Number of Unique Clients with Multiple Hospital Admissions SFY 2009**

<b>Number of unique client count</b>	<b>Total amount billed</b>	<b>Total amount reimbursed</b>	<b>Average amount reimbursed per admission</b>	<b>Average length stay in days</b>
4,343	\$146,904,252.79	\$55,064,150.92	\$5,625.90	7.25

**Top Ten Psychiatric Diagnoses for All Inpatient Admissions SFY 2009**

<b>Diagnosis Code</b>	<b>Description</b>
29690	Affective Psychosis, Not Otherwise Specified
29680	Bipolar Disorder, Unspecified
31401	Attention Deficit With Hyperactivity
29660	Bipolar Affect Mixed-Unspecified
29664	Bipolar I disorder, Most Recent Episode (or Current) Mixed, Severe, Specified as with Psychotic Behavior
29570	Schizoaffective Disorder, Unspecified
29633	Recurrent Depression Psychosis-Severe
29663	Bipolar affect Mixed Severe
29623	Depression Psychosis-Severe
29620	Depression Psychosis-Unspecified

**Number of Readmission by Clients and Average Length of Stay SFY 2009<sup>13</sup>**

<b>Total Number of Readmissions</b>	<b>Total Number of Unique Clients</b>	<b>Average Length of Stay in Days</b>
<b>1</b>	808	9
<b>2</b>	749	9
<b>3</b>	334	9
<b>4</b>	158	10
<b>5</b>	68	10
<b>6</b>	41	10
<b>7</b>	18	10
<b>8</b>	15	10
<b>9</b>	9	10
<b>10</b>	12	10
<b>11</b>	4	10
<b>12</b>	2	2
<b>13</b>	5	2
<b>14</b>	2	7
<b>20</b>	1	1
<b>29</b>	1	1
<b>30</b>	1	1

<sup>13</sup> Source data: HHSC data warehouse.