

## SENATE BILL No. 461

---

### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 12-29-2; P.L.40-1994, SECTION 84; P.L.40-1994, SECTION 86; P.L.40-1994, SECTION 90.

**Synopsis:** Payment systems for mental health providers. Allows the division of mental health to continue developing and implementing a prospective or per diem funding system to fund eligible community mental health centers and managed care providers for services to eligible mentally ill and substance abuse patients other than seriously and persistently mentally ill adults. Requires the division of mental health to continue implementing the division's prospective payment system for funding programs that benefit seriously and persistently mentally ill adults. Requires the division of mental health to develop all  
(Continued next page)

**Effective:** Upon passage; December 31, 1997 (retroactive); June 30, 1999.

---

---

**Johnson**

---

---

January 14, 1998, read first time and referred to Committee on Planning and Public Services.

---

---

C  
O  
P  
Y



Digest Continued

payment systems using actuarial principles and generally accepted accounting principles incurred by efficient and economically operated programs that serve mentally ill and substance abuse patients who are found to be eligible for care that is paid for in part or in whole by the state. Delays for one year the repeal of current laws regarding funding methodologies for the seriously and persistently mentally ill. Extends the commission on mental health for four years. Requires the commission to monitor the implementation of managed care programs for all populations of the mentally ill that are eligible for care that is paid for in part or in whole by the state and to make recommendations regarding the commission's findings to the appropriate division or department. (The introduced version of this bill was prepared by the commission on mental health.)

C  
o  
p  
y



Introduced

Second Regular Session 110th General Assembly (1998)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1997 General Assembly.

## SENATE BILL No. 461

A BILL FOR AN ACT to repeal certain provisions of the Indiana Code concerning human services.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. THE FOLLOWING ARE REPEALED [EFFECTIVE  
2 JUNE 30, 1999]: IC 12-29-2-8; IC 12-29-2-9; IC 12-29-2-10;  
3 IC 12-29-2-11; IC 12-29-2-12.
- 4 SECTION 2. P.L.40-1994, SECTION 84, IS REPEALED  
5 [EFFECTIVE UPON PASSAGE].
- 6 SECTION 3. P.L.40-1994, SECTION 86, IS AMENDED TO READ  
7 AS FOLLOWS [EFFECTIVE DECEMBER 31, 1997  
8 (RETROACTIVE)]: SECTION 86. (a) As used in this SECTION,  
9 "commission" refers to the Indiana commission on mental health  
10 established by this SECTION.
- 11 (b) The Indiana commission on mental health is established.
- 12 (c) The commission consists of sixteen (16) members. The speaker  
13 of the house of representatives and the president pro tempore of the  
14 senate shall each appoint two (2) legislative members, who may not be  
15 from the same political party, to serve on the commission. The



C  
O  
P  
Y

1 governor shall appoint twelve (12) lay members, not more than six (6)  
 2 of whom may be from the same political party, to serve on the  
 3 commission as follows:

4 (1) Four (4) at-large members, not more than two (2) of whom  
 5 may be from the same political party.

6 (2) Two (2) consumers of mental health services.

7 (3) Two (2) representatives of different advocacy groups for  
 8 consumers of mental health services.

9 (4) Two (2) members of families of consumers of mental health  
 10 services.

11 (5) Two (2) members who represent mental health providers. One  
 12 (1) of the members appointed under this subdivision must be a  
 13 physician licensed under IC 25-22.5.

14 (d) Except for the members appointed under subsection (c)(5), the  
 15 members of the commission may not have a financial interest in the  
 16 subject matter to be studied by the commission.

17 (e) The chairman of the legislative council shall designate a  
 18 legislative member of the commission to serve as chairman of the  
 19 commission.

20 (f) Each legislative member and each lay member of the  
 21 commission is entitled to receive the same per diem, mileage, and  
 22 travel allowances paid to individuals serving as legislative and lay  
 23 members, respectively, on interim study committees established by the  
 24 legislative council.

25 (g) The commission shall do the following:

26 (1) Study and evaluate the funding system for managed care  
 27 providers of mental health services.

28 (2) Review and make specific recommendations regarding the  
 29 provision of mental health services delivered by community  
 30 managed care providers and state operated hospitals.

31 (3) Review and make recommendations regarding any unmet need  
 32 for public supported mental health services in any specific  
 33 geographic area or throughout Indiana. In formulating these  
 34 recommendations, the commission shall consider the need,  
 35 feasibility, and desirability of including additional organizations  
 36 in the network of managed care providers.

37 (4) Review the results of the actuarial study which must be  
 38 submitted by the division of mental health to the commission  
 39 before ~~January 1, 1995~~. **July 1, 1998.**

40 (5) Make recommendations regarding the application of the  
 41 actuarial study by the division of mental health to the  
 42 determination of service needs, eligibility criteria, payment, and

C  
O  
P  
Y



1 prioritization of service.

2 (h) The commission shall submit recommendations under  
3 subsection (g) to the secretary of the family and social services  
4 administration and to the legislative council before January 1, ~~1998~~  
5 **1999**.

6 (i) **The commission shall:**

7 (1) **monitor the implementation of managed care programs**  
8 **for all populations of the mentally ill that are eligible for care**  
9 **that is paid for in part or in whole by the state; and**

10 (2) **make recommendations regarding the commission's**  
11 **findings under subdivision (1) to the appropriate division or**  
12 **department.**

13 (†) (j) This SECTION expires January 1, ~~1998~~ **2002**.

14 SECTION 4. P.L.40-1994, SECTION 90, IS AMENDED TO READ  
15 AS FOLLOWS [EFFECTIVE UPON PASSAGE]: SECTION 90. (a)  
16 As used in this SECTION, "commission" refers to the Indiana  
17 commission on mental health created by this act.

18 (b) The division of mental health, ~~shall do the following:~~

19 (†) (1) ~~Contract for a professionally designed actuarial study to~~  
20 ~~quantify the populations to be targeted for public mental health~~  
21 ~~services, with a final report to be submitted to the commission~~  
22 ~~before January 1, 1995.~~

23 (†) (2) ~~Conduct a study of strengths and weaknesses in current mental~~  
24 ~~health service systems, and the need for additional services~~  
25 ~~required in a publicly supported delivery system, with a final~~  
26 ~~report to be submitted to the commission before January 1, 1995.~~

27 (†) (3) ~~Before July 1, 1995, notwithstanding IC 12-29-2, design and~~  
28 ~~implement a pilot program for a prospective funding system based~~  
29 ~~on principles of capitated funding with selected mental health~~  
30 ~~service providers.~~

31 (†) (4) ~~Before January 1, 1997, evaluate the pilot program, make~~  
32 ~~appropriate changes to reflect operational experience, and adjust~~  
33 ~~the mental health service provider network to accommodate~~  
34 ~~unmet service needs for full implementation of a capitated~~  
35 ~~funding system.~~

36 (†) (5) ~~before developing study and evaluation instruments, the~~  
37 ~~division of mental health and shall, with the contractor, meet with~~  
38 ~~representatives of mental health consumers, advocacy groups,~~  
39 ~~employee groups, and managed care providers.~~

40 (c) ~~Notwithstanding IC 12-29-2, before July 1, 1998, the state may~~  
41 ~~fund eligible community mental health centers or managed care~~  
42 ~~providers (as defined in IC 12-7-2-127(b)) on a prospective or per diem~~



C  
O  
P  
Y

1 basis using generally accepted accounting principles recognizing costs  
 2 incurred by efficient and economically operated programs that serve  
 3 the mentally ill and substance abuse patients who are found to be  
 4 eligible for state supported care: **the division of mental health:**

5 **(1) may continue to develop and implement a prospective or**  
 6 **per diem funding system to fund:**

7 **(A) eligible community mental health centers; and**

8 **(B) managed care providers;**

9 **for services to eligible mentally ill and substance abuse**  
 10 **patients other than seriously and persistently mentally ill**  
 11 **adults; and**

12 **(2) shall continue to implement the division's prospective**  
 13 **payment system for funding programs that benefit seriously**  
 14 **and persistently mentally ill adults;**

15 **if all prospective or per diem payment systems implemented by the**  
 16 **division are developed using actuarial principles and generally**  
 17 **accepted accounting principles incurred by efficient and**  
 18 **economically operated programs that serve mentally ill and**  
 19 **substance abuse patients who are found to be eligible for care that**  
 20 **is paid for in part or in whole by the state.**

21 (d) The division of mental health shall develop proposed rules under  
 22 IC 4-22-2 for managed care providers in accordance with the results of  
 23 the actuarial study and pilot program conducted under this SECTION  
 24 and report the proposed rules to the commission before July 1, 1997.  
 25 The division of mental health shall also submit annual status reports  
 26 concerning the requirements of this SECTION to the commission.

27 (e) The division of mental health shall, before April 1, 1998, adopt  
 28 rules under IC 4-22-2:

29 (1) setting forth specific criteria for managed care providers under  
 30 IC 12-21 through IC 12-29; and

31 (2) notwithstanding IC 12-29-2, creating an operational and  
 32 prospective funding system that is consistent with IC 12-21-2-7,  
 33 as amended by this act.

34 (f) This SECTION expires January 1, ~~1999~~ **2000**.

35 **SECTION 5. An emergency is declared for this act.**

C  
O  
P  
Y

