

Financing a System of Care in Texas: What is the Return on the Investment?



What is System of Care?

For close to a quarter century, efforts to create more effective child-serving systems have focused on a concept known as system of care. System of Care is an “approach to the organization and financing of services for children with behavioral health challenges that is informed by well-tested values and principles.”¹ These values and principles include a broad array of services and supports available within the home and community, family and youth involvement in decision-making at all levels of the system, cultural and linguistic competence, cross-system collaboration, and data-driven accountability.

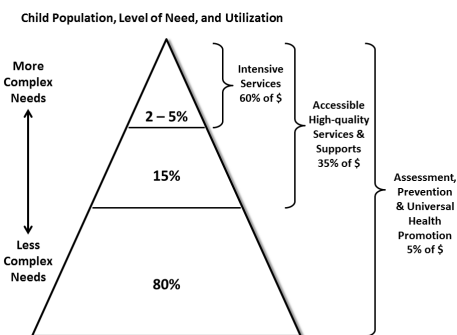
Why Would Texas Choose to Invest in It?

Systems of Care primarily target children, youth, and young adults with serious emotional disturbances and their families. As these children and youth interact with multiple child-serving systems, such as health, behavioral health, schools, child welfare, and juvenile justice, a collaborative approach is required to ensure that behavioral health needs are recognized and addressed in every system that a family may present in. A coordinated approach that incorporates evidence-based practices and systems to measure accountability has the potential to reduce duplication, inefficiencies, and poor quality of care. And most importantly, it leads to better outcomes for children and their families.

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How Much Does It Cost to Serve Children with Serious Emotional Disturbances?

The majority of the public health expenditures for children and adolescents are within the Medicaid program. A recent national study conducted by the Center for Health Care Strategies examined Medicaid claims data for children ages 0 to 18 from all 50 states.² Less than 10% of children in Medicaid use a behavioral health service, yet behavioral health claims make up about 38% of the total Medicaid expenditures. Children who use behavioral health services cost an average of \$4,868 per year for these services, while only spending an average of \$3,652 for physical health care.² A subset of children in the Medicaid system utilizes significantly more of the behavioral health care costs. The top 10% of children utilize an average of \$27,977 annually for behavioral health services; these same children also use a disproportionately large share of physical health care costs at an average of \$20,121.²

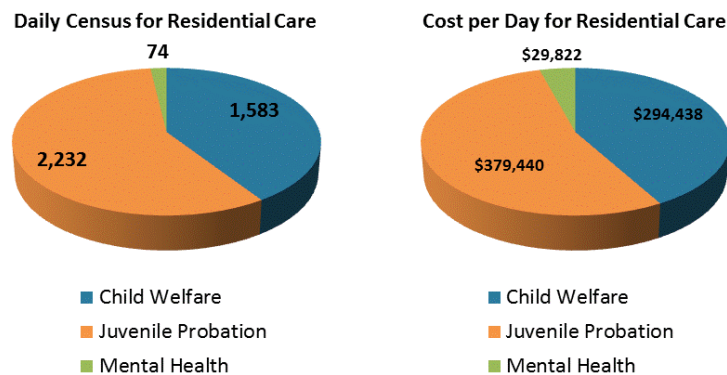


These youth with higher behavioral health costs are the primary population targeted by System of Care approach. Expenses for children with serious emotional disturbances are also incurred within the child welfare system, as children in conservatorship are disproportionately more likely to have mental health challenges than those within the care of families. Within the Medicaid program, children in child welfare represent:

- 8% of the Medicaid child population
- 33% of the population using behavioral health services, and
- 56% of total behavioral health expenses.²

In Texas, an average of 1,583 children in foster care are residing in residential treatment settings each month, with monthly costs ranging from \$3,091 to \$7,085 per child.³ Assuming an average of \$5,088 per child/month, this would result in an annual expenditure of \$96,651,648 on residential treatment for foster children. Additional costs for state care are incurred when parents choose to relinquish their parental rights in order to access intensive mental health services through the child welfare system.

Significant costs also incur to provide services for youth with mental health challenges within the juvenile justice system.



The 2013 Texas Juvenile Justice Department Annual Report indicated that 48% of youth under supervision received at least one mental health referral and 19% received mental health services in a non-secure or secure residential setting. The average daily census of youth in residential placements for 2013 was 2,232 youth. An additional 810 youth were committed to a secure state correctional facility in 2013.⁴ With monthly costs for placements in a state or high security post-adjudication placement ranging from \$3,000 to \$8,142 per individual per month, care for these youth can average almost \$17 million per month (based on an average cost of \$5,571/month).⁵ Youth who are served in these residential facilities are disproportionately likely to return for an additional placement, incurring additional costs to the system.

What Does It Take to Invest in System of Care?

Infrastructure and Coordination: Developing and sustaining Systems of Care requires an investment in infrastructure at both the state and community level. Research has shown that expansion of Systems of Care within states has required coordinated state strategies, such as multi-agency oversight boards or councils, training efforts targeting both state agency administrators and community providers, and shared measurement systems. Many states have found that investing in a Center of Excellence – an academic or non-profit organization responsible for supporting aspects of System of Care development has been key to success. Some states have had System of Care efforts directly funded through state budget processes, while others have established shared funding mechanisms across child-serving agencies.

Local communities (counties or regions) also need infrastructure support to develop and sustain effective local systems. Local oversight or governance committees require staff support and some flexible funding, although community agencies are likely to allow staff to participate on such committees without compensation, if participation is beneficial to the mission of the agency. Local communities need dedicated staffing for System of Care activities and funding to support necessary cross-systems coordination, training, travel, and evaluation efforts. A relatively small, but necessary infrastructure investment can lead to significant system changes and leverage additional community resources.



Services and Supports: Investments in System of Care also involves ensuring adequate funding for the services and supports that are most effective for children and adolescents with serious emotional disturbances. Traditional services funded by private health insurance, Medicaid, and CHIP may be insufficient to allow families to support their children within their home at all times. System of Care communities need access to:

- intensive care or service coordination (wraparound planning)
- intensive home and community-based services

- respite care
- crisis services, and
- flexible supports to meet the unique needs of youth and families.

Evidence-based practices targeting at risk youth, although cost-effective when implemented correctly, require additional investment to establish and maintain within communities.

What Investment Has Been Made in System of Care in Texas?

In 1987, Texas initially provided support for interagency service planning for children through the establishment of Community Resource Coordination Groups (CRCGs), which bring local leaders together to identify resources to assist families who need additional supports. In 1991, Texas provided support for specialized services for children with severe emotional disturbances through the Texas Children's Mental Health Plan, which established a funding structure that had shared multi-agency oversight and accountability. The Texas Integrated Funding Initiative, begun in 1999, established a shared oversight committee, comprised of families, youth, and agency representatives to support System of Care implementation, and provided for small grants to communities (\$40,000 to \$80,000) to establish local infrastructure. Many of these small, state-funded community grants were leveraged into larger, multi-million dollar federal contracts to further develop community systems within Texas.

Examples of Texas Investment in System of Care:

- *Community Resource Coordination Groups (CRCGs)*
- *Texas System of Care Expansion (Senate Bill 421 in 83rd Legislative session 2013)*
- *Youth Empowerment Services*

The Substance Abuse and Mental Health Services Administration (SAMHSA) has invested in the development of System of Care communities across the country, with six Texas communities receiving eight contracts with SAMSHA. These communities have focused on both large urban areas and multi-county rural regions with populations of focus

ranging from young children to transition-age youth. Communities have also differed in the primary leadership of the effort, ranging from county or city governments to child welfare to mental health authorities. All of these experiences in System of Care development have set the stage for state expansion. SAMHSA provided the Texas Health and Human Services Commission (HHSC) with a cooperative agreement to develop a plan for statewide expansion of System of Care, which the Texas Legislature supported through Senate Bill 421 in the 83rd Legislative regular session (2013). In 2013, HHSC received a cooperative agreement to begin implementation of the statewide system of care expansion plan. This funding is currently supporting state infrastructure and project staffing, community grants to two additional regions, and technical assistance and training across the state.

Texas has also invested in some of the services and supports that are critical to System of Care success. Through the Medicaid State Plan Amendment, Texas has invested in the availability of wraparound planning, an evidence-based care coordination strategy. The Department of State Health Services (DSHS) also supports crisis services, respite, and flexible funds through contracts with local community mental health centers, although access to these general-revenue funded resources is limited. Texas has made its largest investment in System of Care through the Youth Empowerment Services (YES) 1915(c) Medicaid waiver program. The YES program provides system of care services to children and youth at risk of psychiatric hospitalization or relinquishment of custody for the purpose of accessing out-of-home care. The YES waiver is designed to be cost-neutral, but allows wraparound teams to develop individualized care plans accessing more flexible services and supports for families. The YES waiver is being expanded statewide and will be available in all regions of the state by September 2015.

What Continued Investment is Needed?

Texas System of Care has identified a model for continued expansion, focusing on state-level support and infrastructure and community development, allowing individual communities to determine local strengths, needs, and gaps based on their level of readiness for System of Care. Successful statewide expansion will require additional investment in state infrastructure to continue support when the federal grant support ends. Modest contracts with local communities, with matching local investment, are also needed for local planning and implementation. Although there has been a critical increase in the investment for mental health services within the state, additional investment to support evidence-based practices and intensive community-based services are warranted. Several good examples are identified by the Washington State Public Policy Institute for juvenile justice, child welfare, education, and mental health systems.⁶ Texas currently has very little access to high-fidelity best practices for children and youth with the most significant needs served in these systems.

What is the Return on Investment?

Return on Investment for System of Care Services: System of Care has been shown to improve outcomes for children and families (see the Texas System of Care outcome brochure). But System of Care has also been shown to reduce costs within state Medicaid system, by keeping youth from high-cost residential settings that tend to have limited long-term outcomes. The Center for Medicare and Medicaid Services sponsored a 5-year demonstration program ending September 2012. Using a System of Care framework, the goal was to provide comprehensive community-based services and supports to youth who would otherwise be served in psychiatric residential facilities. With nine states serving over 5,300 youth over the 5-year period, all states showed cost savings to their Medicaid programs. States saved an average of \$40,000 per youth served by the program and found that the home and

community-based services cost only 32% of the cost of residential care.⁷

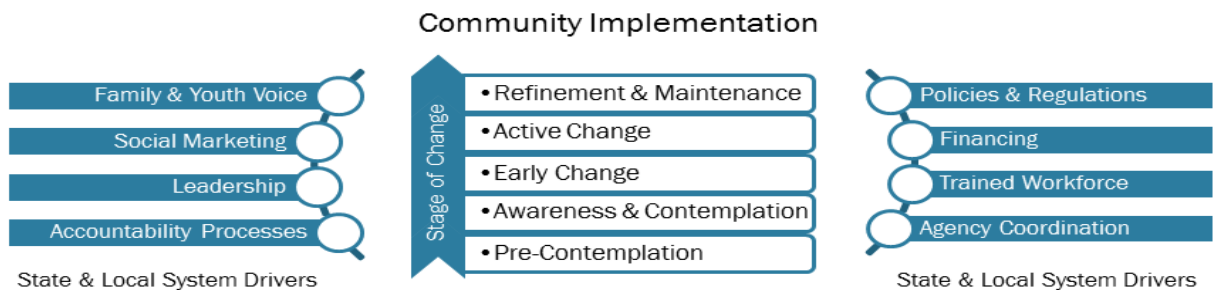


Additional evidence of a beneficial return on investment has been found in studies of wraparound programs implemented in states and counties around the country. In a meta-analysis of wraparound studies, positive findings of cost savings were found for youth enrolled in wraparound throughout the United States.^{8,9}

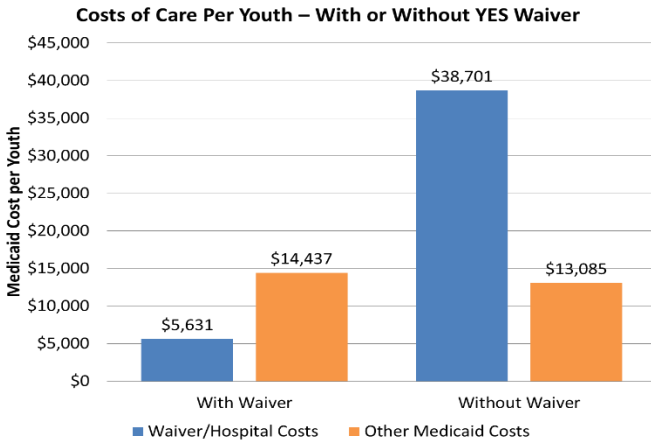
Findings of the meta-analysis:

- Washington youth involved in the juvenile justice system and served by wraparound had a reduction of 58% fewer days of detention and 57% fewer days of juvenile justice involvement leading to an immediate cost savings for the community.
- Youth enrolled in wraparound in Los Angeles, CA had fewer out of home placements leading to 60% lower costs over the course of treatment (\$10,737 compared to \$27,383).
- Maine showed a 29% reduction in Medicaid spending by increasing community-based services and reducing psychiatric hospitalizations and residential treatment (average annual spending reduced from \$58,404 to \$41,873).
- Massachusetts showed a reduction of 74% for inpatient costs and 32% for emergency department utilization by increasing community-based services (average monthly spending reduced from \$1573 to \$761).

Texas SOC Expansion Model



Significant cost savings have also been demonstrated in Texas through the YES waiver. In 2013-2014, the YES Waiver served 294 youth and expended an average of \$20,068 on both waiver services and Medicaid costs per youth. This is in contrast to the costs without the waiver at \$38,701 per youth (C. Guidry, personal communication, 2/13/15; A. Shafer, 4/14/15).



Return on Investment for System of Care Infrastructure: State infrastructure for System of Care provides a return on investment by working toward better coordination of resources across child-serving agencies, in-state capacity for key training and coaching, coordinated communication strategies, and shared mechanisms for monitoring outcomes and accountability of providers. By coordinating technical assistance to communities through state infrastructure, communities can learn from best practices in peer communities, have access to training, and receive guidance and support in their community efforts.

Currently the Texas System of Care initiative provides support to developing communities through a partnership with state, a higher education institute and community collaborative network. A team at the Texas Institute for Excellence in Mental Health serves as an intermediary, providing support to state stakeholders and assisting local communities through training, technical assistance, and other strategies. While infrastructure costs may not seem like a critical ongoing investment, states that have focused on infrastructure and state-wide initiatives (Georgia, Maine, Maryland, Massachusetts, Nebraska, New Jersey, Oklahoma, Pennsylvania, and Colorado) have also shown cost savings statewide.¹⁰

One Texas community has demonstrated the return on investment for a strong community infrastructure. During its first System of Care cooperative agreement with SAMHSA, Tarrant County established Mental Health Connection, a collaborative organization made up of local agencies, organizations, and individuals committed to improving mental health care in their community. Through membership fees agreed upon by participating partners and one paid employee, this organization has harnessed the power of a multitude of volunteers and is currently implementing its fourth long-range plan. With a modest investment in community infrastructure, Mental Health Connection has leveraged more than \$50 million in funding to transform the mental health care system in the community.¹¹

What is Needed to Continue the Progress in Texas?

Texas has made a lot of progress in mapping out a plan for System of Care expansion, harnessing lessons learned from communities that have embraced the System of Care framework, and partnered with agencies and communities wanting to enhance their mental health care system. Some ways that Texas can continue to support System of Care expansion include:

- Continue to support state agency participation in Texas System of Care oversight, which guides System of

Care efforts;

- Ensure System of Care values and principles continue to guide upcoming transformational changes, such as managed care expansion and the reorganization of the health and human services;
- Explore options to support state and local System of Care infrastructure, such as shared funding models and local care management entities;
- Expand access to evidence-based, community-based practices that have demonstrated cost effectiveness for high-need youth and families;
- Support the evaluation of System of Care expansion, including a return on investment through reductions in out-of-home care, decreased involvement in juvenile justice and child welfare; systems; decreased risk of suicide, and preparation for successful community living (e.g., school success, employment).

These efforts will result in improved outcomes for children and youth with complex mental health needs and their families.

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