A Prescription for Disaster: Cutbacks on Mental Health Programs Curb Access to Care

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With proposed cuts in state budgets nationwide, social services--including mental health care--are taking a financial blow. As a result, mental health care facilities are closing and services are disappearing. What will the effect be on patient care?

In Virginia, a state agency charged with the protection and oversight of the disabled has filed a lawsuit charging that state-run mental hospitals are neglecting patients. In Florida, the North Broward Hospital District has stopped paying for psychotropic drugs for indigent patients. In Missouri, the state mental health department plans to shut down a treatment center and a psychiatric rehabilitation hospital to save money. In California, proposed cuts in the state's budget will force counties to shut down mental health facilities despite legal mandates to provide care. From Maine to Oregon, from West Virginia to Texas, mental health services are being curtailed as bureaucrats and lawmakers try to stretch fewer dollars across an increasingly large, underserved population.

State tax revenues per capita declined 7.4% in fiscal 2002. In a Kaiser Commission on Medicaid and the Uninsured issue paper titled "Is the State Fiscal Crisis Over? A 2004 State Budget Update," Donald Boyd, Ph.D., and Victoria Wachino, MMP, wrote, "While the national recession was fairly mild, the falloff in state tax revenues was severe and led to daunting state budget shortfalls." They continued, "The big falloff in state tax revenue in 2002 means that it will take states some time to return to pre-2002 tax levels, and the recent modest growth in state tax revenues is far from sufficient to do that." Boyd is director of the Fiscal Studies Program at the Rockefeller Institute of Government, and Wachino is associate director of the Kaiser Commission on Medicaid and the Uninsured.

The immediate future does not look much better, according to Boyd and Wachino. "As the Rockefeller Institute recently observed, 'States will probably have to cut spending and/or raise taxes in order to balance the fiscal year 2005 budgets they will begin to consider in a few months.'" They added, "And unless the national economic picture, and especially employment, picks up significantly, states will have to face these conditions for some time to come."

"The economic outlook in most states is very bleak," said Joel Miller, acting director of the National Alliance for the Mentally Ill's (NAMI) Policy Research Institute, in an interview with Psychiatric Times. "States are looking at projected budget deficits of between $65 billion to $85 billion. States are looking for ways to control budgets, and they're trying to balance their budgets on the backs of the most vulnerable populations."

"It's penny-wise and pound-foolish," NAMI legal director Ron Honberg, J.D., told PT. "What you save on health services you wind up spending on increased costs for law enforcement and corrections and services for the homeless. Criminalization of the mentally ill has now reached epic proportions. There are shortages of beds and cells. In Florida, law enforcement officials are going to the legislature and asking them not to cut mental health services because it places too great a burden on the system."

In one bizarre incident, a newspaper in Salt Lake City reported that one of the suspects in the sensational kidnapping of teen-ager Elizabeth Smart had been ordered into the forensic unit of the state mental hospital for treatment prior to facing trial, but was detained in a county jail instead because at least 10 other suspected criminals were lined up ahead of her waiting for beds in the hospital. The waiting list developed after the state closed one wing of the hospital in 2002 to save $1.7 million a year, according to the newspaper.

States are cutting budgets both for community-based mental health and social service programs, which provide a broad range of services, and Medicaid, the health insurer and last resort of low-income families and individuals with chronic, long-term conditions.

"This is a very dangerous trend," said Miller, "and one that is occurring in every state. For example, 65% of all people with schizophrenia and one-fourth of all people with severe depression are covered by Medicaid. States are trying to save money by restricting access to medications or cutting optional
services for these people, who have no place else to go to get their services. So they end up on the streets, in jails and prisons, or rehospitalized because they’re not getting the services they need. In the last four years, states have cut many vital services, especially for people with severe mental illness."

Medicaid is by far the largest funder of public mental health services, and much of its focus has been on medications. Lawmakers and bureaucrats often fail to make distinctions among different types of medications and their effects, Miller said. Others are following the lead of the Florida hospital and excluding large population segments from coverage in hopes of holding down expenses.

"What's problematic is that states are trying to start controlling costs in the pharmaceutical area by using prior authorization, fail-first strategies and limits to the number of medications a patient can receive in a month," Miller pointed out. "These actions can have severe ramifications for those people. But that's where Medicaid departments have been spending a lot of their time.

"We need to educate policy-makers that these medications are unique," he added, "that they can't be used interchangeably, that each psychiatric medication is a different mechanism of action, and that side effects can vary with each patient. This is an incredible concern for people with severe mental illness who have relied on these medications that have enabled them to recover and start leading productive lives."

In the long run, he continued, this approach will be self-defeating. "The states are not going see any net cost-savings, because patients are less likely to adhere to the wrong medications, which will make them more likely to suffer a severe episode. That's the message we are trying to highlight to policy-makers and to governors' offices.

"I'd like to think we're doing a pretty effective job on educating stakeholders on these issues. We know they're in fiscal crises. We have to emphasize that treatment works and that most people with mental illness can get better with treatment," Miller said. "We show them the [National Institutes of Health] statistics, that nearly 80% of people with severe mental illness who receive appropriate treatment experience a reduction in symptoms. We try to build on the recommendations of the President's New Freedom Commission, which said that more people could recover if they access treatment and support tailored to their needs."

Honberg believes that lawmakers are getting the message when it comes to Medicaid. "So far, we've been able to fight off the most draconian limitations to medications in Medicaid," he said. "The message that these cuts could have dire consequences is getting through to some of the key decision-makers." But on the social services front, the picture is not as positive.

"There is an increased willingness on the part of the federal government to grant waivers and allow states to experiment with cutting programs without federal oversight," Honberg said. "There are intense pressures on state mental health agencies to control their spending. We are hearing about clinics, psychiatric rehabilitation programs and clubhouses closing. We have to fight hard to try to prevent the loss of inpatient beds. By and large, the state mental health authorities have tried to protect their funding."

Last year, three states--Colorado, Montana and Texas--passed the so-called "barebones" laws that permit employers to offer health insurance plans that do not include state-mandated mental health benefits.

Oregon represents an extreme example of state funding being withdrawn from programs. Earlier this year, voters refused to approve Measure 30, a ballot initiative that would have raised state income taxes to pay for schools, social service programs and jails. Officials are now forced to cut $544 million in state expenditures. Among the cutsbacks already scheduled to take place are elimination of state health coverage for about 50,000 low-income residents and elimination of a broad range of programs--including substance abuse treatment and mental health coverage--for an estimated 125,000 elderly and poor recipients who will remain in the program.

One county official told a local newspaper, "The hardest part is that we've been operating in a system that's had to cut and cut and cut for the last three years."

"It's not that, when things were good, mental health services were that good," Honberg noted. "Transforming the system with the goal of both improving the quality of care and cutting expenditures is one thing; reorganizing the delivery of services so you can save money and limit the number of people you're going to serve is another.

"Some states and communities are faced with a very difficult choice: Should they prioritize to limit services to people currently in crisis? If they do that, what impact will it have on people who are likely to go into crisis? The people at the helm are well-meaning, but they have to make due with fewer resources.

"Fewer than 50% of all people with schizophrenia receive even minimally adequate treatment and
services," Honberg added. "Many of them just don't have access to treatment programs. It's hard to imagine that there's any room to cut. States are cutting from programs that have been operating with inadequate resources to begin with. There's not a lot of room to cut. Is there waste in some of those programs? Could things be done more efficiently? Perhaps. But cutting funding at this point for people who already don't have access to the care they need is a prescription for disaster, frankly."

Despite the problems, Honberg sounded a cautiously optimistic note. "There are some promising trends," he said. "Even if they may only represent bandages. We're encouraged by the fact that there is $44 million more in President Bush's budget for the Substance Abuse and Mental Health Services Administration [SAMHSA] to implement cross-system planning and implementation. Fragmentation among social services has always been a big problem: mental health doesn't work with housing, Medicaid, Social Security, education or law enforcement. There is a fair amount of money in the SAMHSA budget to correct that.

"And we are seeing the emergence of some services in local communities, even if they are at the wrong end of things--like jail diversion programs, and both pre- and post-booking evaluations at the court level. We are seeing communities come together in partnerships and meaningful coalitions to respond to these people. Sheriffs, peace officers and jail administrators are emerging as their strongest allies," Honberg said.

Miller is less sanguine. "Things have been pretty critical for the last few years. Further cuts could do considerable damage to the safety net, not only in the mental illness delivery system, but in other social services as well. The safety net is dramatically fraying, and there is nothing else to pick up the slack.

"If Medicaid continues to reduce eligibility and disenroll people, we may be heading for a 'perfect storm' in health care," Miller added. "It is critically important that health care reform be debated in elections this year in the context that we have a real serious health care crisis--premiums are increasing by 10% to 12% a year, overall spending is increasing, and the uninsured population is growing and may increase by another 2 million this year.

"It really is time for this nation to have serious dialogue and discussion about health care reform--how are we going pay for public and private sector programs? Health insurance coverage is the key ingredient: How we as a country can increase health insurance coverage and slow down the rate of inflation in health care spending and the increases in premiums. Unless we get handle on costs, it will be difficult to address the needs of vulnerable populations, like people with severe mental illness who are in need of coordinated care."

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