The Effect of Enrollment in a Prepaid Health Plan on Utilization of a Community Crisis Intervention Center by Chronically Mentally Ill Individuals

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ABSTRACT: When a prepaid Medicaid Demonstration Project was initiated in Hennepin County, Minnesota, concerns were raised that the new system might place an additional service burden on County-funded mental health agencies responding to underprovision of mental health services by prepaid health plans. This study examined the use of a single County mental health services agency, the Crisis Intervention Center, by a group of vulnerable and frequent users, the chronically mentally ill. The study found that use of the Center by persons enrolled in a prepaid plan declined after enrollment and was different and lower for the prepaid group than for a comparison group of fee-for-service system users during the same time periods. The difference did not meet conventional levels of statistical significance. This finding is nonetheless important since it may be an indication of successful case management by prepaid health plans in serving chronically mentally ill individuals.

Action by the Health Care Financing Administration in 1982 provided for the establishment of demonstration programs in six states to...
test alternative methods of delivering health care to Medicaid recipients (Hurley, 1982). Hennepin is one of three Minnesota counties that participated in the project to test the effectiveness of a prepaid system of health care in containing Medicaid costs while maintaining quality of care. Most of the major recipient groups in Minnesota’s Medicaid, or "Medical Assistance," program participated in the project, including the chronically mentally ill, other disabled individuals, the elderly, the blind, and recipients of Aid to Families with Dependent Children (AFDC).

The Minnesota Department of Human Services, which administered the project, contracted with seven health plans in Hennepin County to serve the AFDC and aged groups, and four to serve the blind and disabled. The plans received a monthly capitation payment, based on historical costs, in exchange for providing all state and federally mandated Medicaid services which the plan determined to be medically necessary.

In order to allow comparisons between the prepaid and the traditional fee-for-service delivery systems, a 35% sample was randomly selected from the eligible recipient groups. For these individuals, enrollment in one of the prepaid plans was mandatory; no hardship exemptions were allowed. Those in the selected sample who failed to choose a plan were randomly assigned to one. The remaining 65% of the recipient population continued in the fee-for-service system as a control group.

The study reported here was designed to determine whether enrollment in a prepaid health plan affected the use of emergency mental health services by chronically mentally ill Medicaid recipients in Hennepin County. As such, the investigation is responsive to the concern that more experimentation with prepaid arrangements be conducted to determine their success in serving the severely mentally ill (Schlesinger, 1986; Talbot, 1985; Mechanic, 1985; Sharfstein, 1982; and Meier, 1981).

Throughout the planning and implementation of the demonstration project in Hennepin County, there was interest in monitoring the use of County-funded mental health agencies by fee-for-service recipients and mandated enrollees. This use was of concern for two reasons:

Mental health advocates feared that the prepaid health plans would not provide the mental health services needed by the Medicaid enrollees in their plans who had previously been served by the fee-for-service system. The chronically mentally ill population was seen as particularly high-risk in the transfer to a prepaid system. It has been argued that even when enrollment in a health plan is mandatory, as is