
# Financial Viability and Sustainability of Coordinated Specialty Care for First Episode Psychosis

Brenda Jackson – Brenda Jackson Consulting, LLC

September 10, 2025

## Tennessee Department of Mental Health and Substance Abuse Services


Brenda Jackson specializes in policy, program design and implementation and regulatory analysis for Medicaid and Children's Health Insurance Programs (CHIP) with a focus on delivery system innovation, value-based purchasing (VBP), Federally Qualified Health Center, intellectual and developmental disability (I/DD) and behavioral health system redesigns and Centers for Medicare & Medicaid Services (CMS) policy compliance. Brenda advises several State Medicaid Agencies and behavioral health organizations such as the Bowman Family Foundation and Meadows Mental Health Foundation. Brenda was a contributing author for MHSUD Issue Briefs identifying key billing codes for Coordinated Specialty Care (First Episode Psychosis) and Behavioral Health Crisis services and the use of these codes to support parity in reimbursement. Brenda worked on home and community-based services (HCBS) and managed care policy when she was employed by CMS, the State of Kansas, Mercer Human Resources Government Consulting, and Deloitte & Touche Management Consulting. While employed by CMS, Brenda was the Iowa State Representative for three years and reviewed all Iowa waivers and amendments. Brenda has been in this field since 1993. Brenda is the parent and guardian of a 25-year-old son on the KanCare I/DD waiver who is employed.

**Tennessee Statewide Early Psychosis Summit**

## Coordinated Specialty Care (CSC)

CSC is an evidence-based, recovery-oriented, team approach to treating early psychosis that promotes easy access to care and shared decision making among specialists, the person experiencing psychosis, and family members.

- **Psychotherapy**
- **Medication Management**
- **Family Education and Support**
- **Service Coordination and Case Management**
- **Supportive Employment and Education**
- **Peer Support**

4

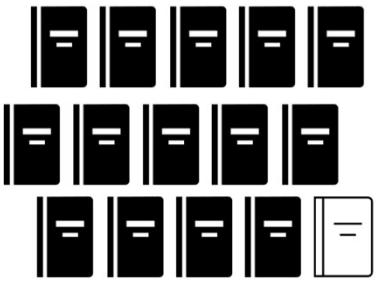
## Non-Service Components of CSC

In addition to the specific service components, CSC involves

- Intensive outreach and engagement
  - Services delivered at time and place convenient for patient
- Frequent team meetings to assure coordination
- Frequent collateral contacts
- Small caseloads
- Unlicensed team members
- Specific training requirements for working with younger population in age-appropriate way

5

## CSC is Cost Effective



**14** of **15** international studies concluded that early psychosis intervention resulted in **reductions in total costs** or were **cost effective** based on decreases in high-cost adverse outcomes.

Reduced symptoms of psychosis

Reduced preventable hospitalizations

Fewer depressive symptoms

Reduced inpatient **hospitalization costs**, emergency department visits, and potential improvements in **quality of life** were the most frequently cited sources of savings.

6

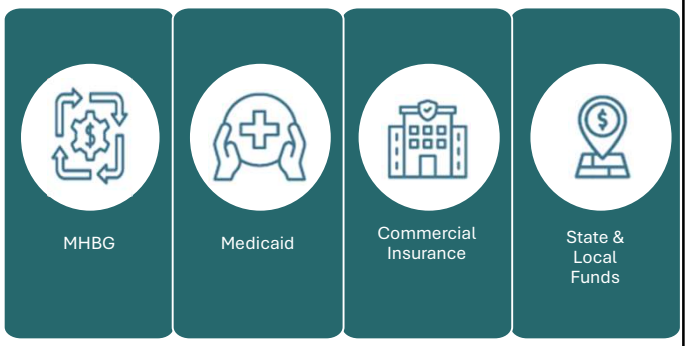
## Current Funding Approaches

- **Block grant** set aside helps support initial implementation but is inadequate for meeting the needs of the population experiencing early psychosis
- Programs typically use a mixture of block grant funds, state general funds, and insurance payments (Medicaid, Medicare, and Commercial) to cover full cost of the program
- Even in states with expansive Medicaid benefits **only half of program costs can be covered utilizing outpatient fee schedules**
- Reliance on discretionary resources threatens long term sustainability
- Without establishing an insurance benefit that covers the costs of the program the population in need will never be served
- Lack of a specific billing code for CSC presented an impediment to insurance payments

7

## Braided Funding

- The MHBG, Medicaid, commercial insurance, and state funds can all fund CSC services for a group of individuals with FEP
- By "braiding" the funding, the provider has access to more funds to support an array of services that any one source provides alone
- The challenge of using braided funding is that each of the funding sources may have different rules for providing services and different reporting requirements, which increases burden on the provider




8

## Medicaid Funding

- Medicaid Authorities
  - State Plan Amendment (New York, Washington)
  - In Lieu of Services (Pennsylvania, Texas)
  - Certified Community Behavioral Health Clinics
  - Waivers

9

## Medicaid 101 Terminology

- Bundled rates are a revenue model (adding up medication management, therapy, peer support, and different reimbursement from CPT/HCPCS codes). Bundled rates rely on office-based fee schedules and rates rely on historic assumptions that do not include CSC specific costs such as training, fidelity, travel, small teams, team meetings
- Team-based rates are based on cost models that include components required by the evidence-based practice such as unlicensed and licensed personnel salaries, training, travel, certification)
- Braided Funding not Blended Funding – Medicaid funds may only reimburse Medicaid eligible individuals and services

10

## Medicaid 102 Terminology

- Supported Employment and Education policy in Medicaid has its basis in the intellectual and developmental disability field in Home and Community-based services where it is considered habilitative in nature (i.e., not restorative or rehabilitative)
- Rehabilitative skill-building in an adult educational setting or on a worksite where the individual has a mental health condition or substance use disorder is considered rehabilitative. Medicaid still prefers that Vocational Rehabilitation be exhausted first for vocational testing and job placement, but on-going skill-building related to anxiety, psychosis, depression in the community are Medicaid reimbursable

11

## Funding Challenges

- Many CSC services are not eligible for reimbursement by Medicaid or commercial payers, resulting in a **significant reimbursement gap for CSC programs**
- **Traditional fee-for-service billing** is built on office-based care, large teams, no travel, and no training
- A **team rate** would need to include small team size, training, documentation, travel, fidelity, team meetings, and supervision
- One **challenge** for establishing a team rate – salaries, services, and volumes all differ across CSC teams

12

## HCPCS Codes: Why a Team-Based Rate

- An **office-based fee schedule** typically incorporates wages for licensed practitioners providing psychotherapy in an office-based setting.
- A **team-based rate** is payment for a pre-defined set of services for an evidence-based practice (EBP) typically provided by a team of health care professionals. Team-based rates emphasize the needs of the individual rather than the volume of services provided. Because the CSC model is team-based, this financing strategy can provide coverage for CSC team activities that are usually not funded by the more traditional fee-for-service model. The team-based rate can be a daily or monthly payment for all approved services provided through the team for eligible individuals.
- CSC Evidence-Based Team rates reimburses for:
  - Small caseloads
  - Team staffing, including unlicensed practitioners
  - Extraordinary training, supervision, and certification costs associated with fidelity
  - Lost productivity due to collateral contacts, travel associated with community-based services, daily team meetings, outreach, telephone calls, and documentation

13

## Team-based rates: Caseload and Staffing Assumptions

- Caseload based on expected number to be served and vacancy rate
- Team staffing:
  - Prescriber, team leader, licensed therapist(s) including family educators, peer specialists, skill-building specialists in an adult educational setting or on a worksite, family education, case manager
- Percentage of individuals requiring skill-building in an adult educational setting or on a worksite or receiving community-based services
- Costs of training, certification, fidelity, staff travel, staff turnover, interpreter, overhead

14

# Provider Reimbursement Rate Structure

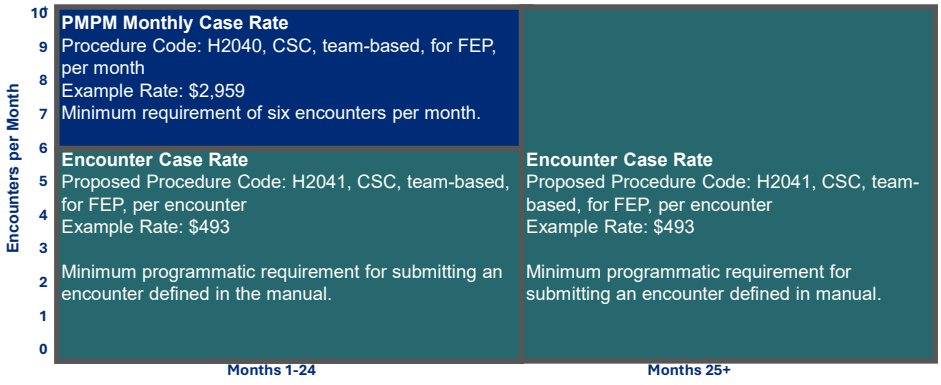
There are various provider billing rules/strategies:

- A monthly case rate
  - Utilization of services is dependent upon the needs of the participant (higher at onset and lower later)
  - Provider is paid a case rate regardless of utilization
  - HCPCS code H2040: “Coordinated specialty care, team-based, for first episode psychosis, per month”
- Per encounter billing by any team member (per diem)
  - More encounters at service onset and fewer encounters as individual stabilizes
  - Allows provider payment to vary based on utilization
  - H2041: “Coordinated specialty care, team-based, for first episode psychosis, per encounter”

15

# Example Use of FEP Rate Structure

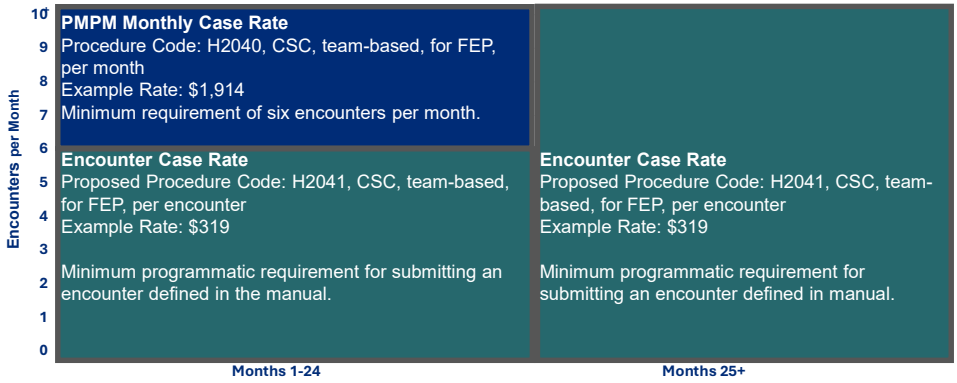
**States’ Approach to Monthly Case Rate and Encounter Case Rate Billing, Small Team**




16

# Example Use of FEP Rate Structure

**States' Approach to Monthly Case Rate and Encounter Case Rate Billing, Large Team**




17

# Centers of Excellence (COE) Funding

- Training and fidelity monitoring can ensure EBP teams meet basic requirements
- Fidelity monitoring ensures components necessary to achieve outcomes and to make EBPs cost-effective are in place
- The first step is determining the training and fidelity monitoring framework desired by the State or payer: OnTrack, Navigate, EASA, Addington Fidelity Scale, the Ohio CSC-FEP fidelity measure
- Medicaid is willing to finance the portion of the COE associated with Medicaid members with 50% federal match rate

18

## COE Decision Point
## Who carries out the monitoring?

- **Option 1:** Establish a COE with a single vendor
- **Option 2: D**evelop a list of recommended vendors to be used by CSC providers
- **Option 3:** Hybrid model – establish a COE, but allow other approved vendors to conduct reviews and provide technical assistance to augment COE capacity and/or provide alternatives to the COE

## COE Decision Point
## If external vendors are used, who contracts with them?

- **Option A:** Providers contract with approved vendors
- **Option B:** Managed care organizations contract with approved vendors
- **Option C:** The State contracts directly with approved vendors


# Questions & Answers

Please post your questions and comments in the Chat Box to the right of your viewing screen.

Speakers, panelists, and monitors will be able to see and respond to them during the session and during the 15 post-session Q&A segment.

## Tennessee Department of Mental Health and Substance Abuse Services

**COMPLETE CONFERENCE EVALUATION FORMS AND THE REQUEST FOR DOCUMENTATION OF CEs EARNED**

Up to 6.5 CE units or contact / clock hours available for this event.

QUESTIONS?
Email: tamho@tamho.org

**EVALUATIONS**

https://www.surveymonkey.com/r/EP2025Eval

**REQUEST FOR CE DOCUMENTATION**

https://www.surveymonkey.com/r/2025EPCE

## Tennessee Statewide Early Psychosis Summit