



**Office of
Mental Health**

**Office of Alcoholism and
Substance Abuse Services**

Cost-Effective Alternative Services “In Lieu of Services” for Medicaid Managed Care

**Office of Mental Health
Office of Alcoholism and Substance Abuse Services
Hosted by the Regional Planning Consortia
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Cost-Effective Alternative Services

Federal regulations permit States to approve Medicaid Managed Care Organizations (MMCO) to provide reimbursement for cost-effective alternatives to current approved Medicaid State Plan services.

NYS released guidance and an application to approve these alternative services which are available on the DOH website:

https://www.health.ny.gov/health_care/managed_care/plans/docs/2017_09_29_in_lieu_of_guidance.pdf

Cost-Effective Alternative Services

Cost-Effective Alternative Services provide an opportunity to expand the array of or effectiveness of behavioral and physical health services available to Medicaid Managed Care members.

Cost-Effective Alternative Services

Cost-Effective Alternative Services are commonly referred to as “In Lieu of Services” or ILS.

CFR 438.3 (e)(2) describes “in lieu of service” as “a substitute service or setting for a service or setting covered under the State plan.”

Key Concepts of In Lieu of Services

- Cannot be mandated by the State
- Only MMCOs may submit an application to the State to deliver an in lieu of service
- Must be approved by the State if a MMCO wishes to offer the service
- MMCO must demonstrate the clinical and financial benefits of the proposed service
- MMCO members may not be required to receive the service

How In Lieu of Services are Adopted

State Approved ILS:

- ILS developed and proposed by a MMCO and approved by the State
 - Ideas may be generated by a MMCO in partnership with community providers and others

State Identified ILS:

- ILS developed by the State as cost effective alternative services appropriate for Medicaid Managed Care members
 - MMCOs that wish to use this service as defined by the State will have an expedited approval process

Opportunities to Develop ILS

RPCs convene stakeholders to:

- Identify service gaps in your region that affect certain populations, diagnoses, access to care, geographic areas
- Opportunity to tailor specific services to solve issues unique to your community
- Think about the people you serve and what's missing that they could benefit from

Providers will need to work with MMCOs to explore viability of ILS proposals

Opportunities to Develop ILS

Example of an In Lieu of Service as a cost effective alternative to a State Plan Service:

- The ILS:
 - Provide peer services to Managed Care enrollees being discharged from an inpatient hospital to assist with transitioning to outpatient services
- The State Plan Service:
 - Alternative to inpatient hospital readmissions

Opportunities to Develop ILS

Other examples of ideas for In Lieu of Service as a cost effective alternative to a State Plan Service:

- The ILS:
 - ACT step down (Combo of CPST, Clinic Off-site, PSR)
- The State Plan Service:
 - Alternative to ACT

Opportunities to Develop ILS

Example of a SUD service idea for In Lieu of Service as a cost effective alternative to a State Plan Service:

- The ILS:
 - Residential stabilization services
- The State Plan Service:
 - Hospital based inpatient detox

Federal ILS Requirements

If a MMCO chooses to offer either a State Identified or a State Approved ILS, they must first apply to the State and obtain approval to offer the ILS.

To be approved, all ILS must be:

- Medically appropriate
- Cost-effective
- Voluntary for the MMCO to provide
- Voluntary for the Enrollee

State ILS Evaluation Criteria

MMCOs must include the following information in their applications:

- Targeted population
- Service goals and objectives
- Expected outcomes
- Cost-benefit analysis calculations
- Proposed procedure codes
- Staffing qualifications
- Service monitoring activities

State ILS Application Approval

- MMCOs can submit an [In Lieu of Request Form](#) to NYS DOH at any time
- The State will review the application and issue an approval or denial
 - Clinical review will be completed by OMH and OASAS, in consultation with DOH, to determine the clinical appropriateness of proposed Behavioral Health ILS for MMMC enrollees
 - Fiscal review completed by state contracted actuary
- Upon approval, MMCOs may begin offering the ILS at the beginning of the next state fiscal quarter
- Approved ILS will be made public via a post on state agency websites

Requirements for ILS Provision

Approved ILS must be:

- Added to MMCO contract with the State (Appendix M)
- Posted to applicable state agency websites
- Offered to all Enrollees that meet the defined population and criteria
 - Enrollees have the right to request an appeal, external appeal, and fair hearing regarding the denial of a State approved ILS offered by an MMCO

Requirements for ILS Provision

MMCOs must also:

- Inform enrollees of new ILS benefits
- List approved ILS publicly, including on their website and in an updated member handbook
- Use State approved rate codes to track ILS service provisions and claims
- Track and report ILS expenditures using State approved format

Termination of In Lieu of Services

State Termination: if ILS is determined to be harmful to the enrollee or is not cost effective

MMCO Termination: for any reason with notice to the State; must publicize the termination date, provide 90 days notice to enrollees, and implement a continuity of care plan for members receiving the ILS

Termination will occur at the end of State fiscal quarter.

If an ILS is found to be a threat against the health, safety or welfare of the MMCO's enrollees, termination could occur immediately.

Proposing an ILS to an MMCO

- The State is asking MMCOs to identify a contact person to handle ILS
 - MCTAC will post the updated list to their plan matrix
- Use the RPC subcommittee structures to discuss ideas for ILS