



## DATA BRIEF

# Summary of Results on Medicaid Rates and Mental Health Services

February 2025

### CONTEXT AND PURPOSE OF THE STUDY

Access to mental health care remains a significant challenge in the U.S., particularly for Medicaid patients, who face lower provider acceptance rates and longer wait times compared to those with private insurance. Medicaid reimbursement rates—payments made to providers for services—may play a crucial role in determining the availability and quality of mental health services.

This study examines how changes in Medicaid reimbursement rates affect the availability of mental health services in Allegheny County, Pennsylvania. The county, home to over 1 million residents, partners with Community Care Behavioral Health, a managed care organization, to provide behavioral health services for Medicaid enrollees.

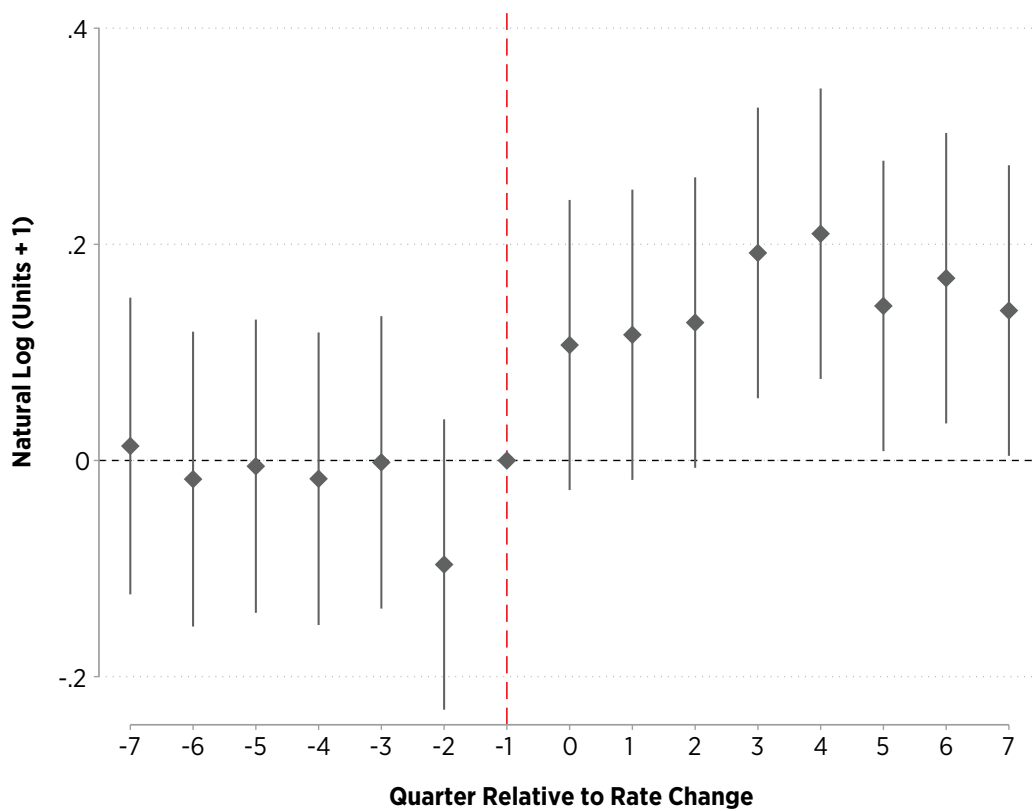
In Allegheny County, the rate-setting process involves collaboration between providers, the managed care organization (MCO) and the Department of Human Services (DHS). Providers request rate increases annually, and decisions are influenced by state budgets, provider needs and utilization trends. Over 800 rate changes between 2010 and 2019 created a unique natural experiment to evaluate the effects of rate adjustments. Data from 2020–2024 was intentionally left out due to COVID's implications.

This research is significant because it sheds light on how provider payment structures impact mental health service delivery for vulnerable populations and whether rate increases at historical levels are likely to resolve critical shortages. This work builds upon and furthers prior studies by using detailed claims data and a decade of granular rate changes, offering rare insights into the effects of rate variation within a managed care Medicaid system.

**KEY FINDINGS**

1. **Modest Increase in Services:** The analysis found that raising Medicaid reimbursement rates slightly increased the availability of mental health services. For example, a 20% increase in rates led to a 3.2% increase in the number of services provided. This relationship, termed “supply elasticity,” indicates a relatively small response by providers to rate increases, likely due to structural challenges of expanding services. The impact of rate changes on the number of services provided over time is displayed in **Figure 2** in the publication.

**FIGURE 2: Impact of Rate Changes on Units of Services Delivered**

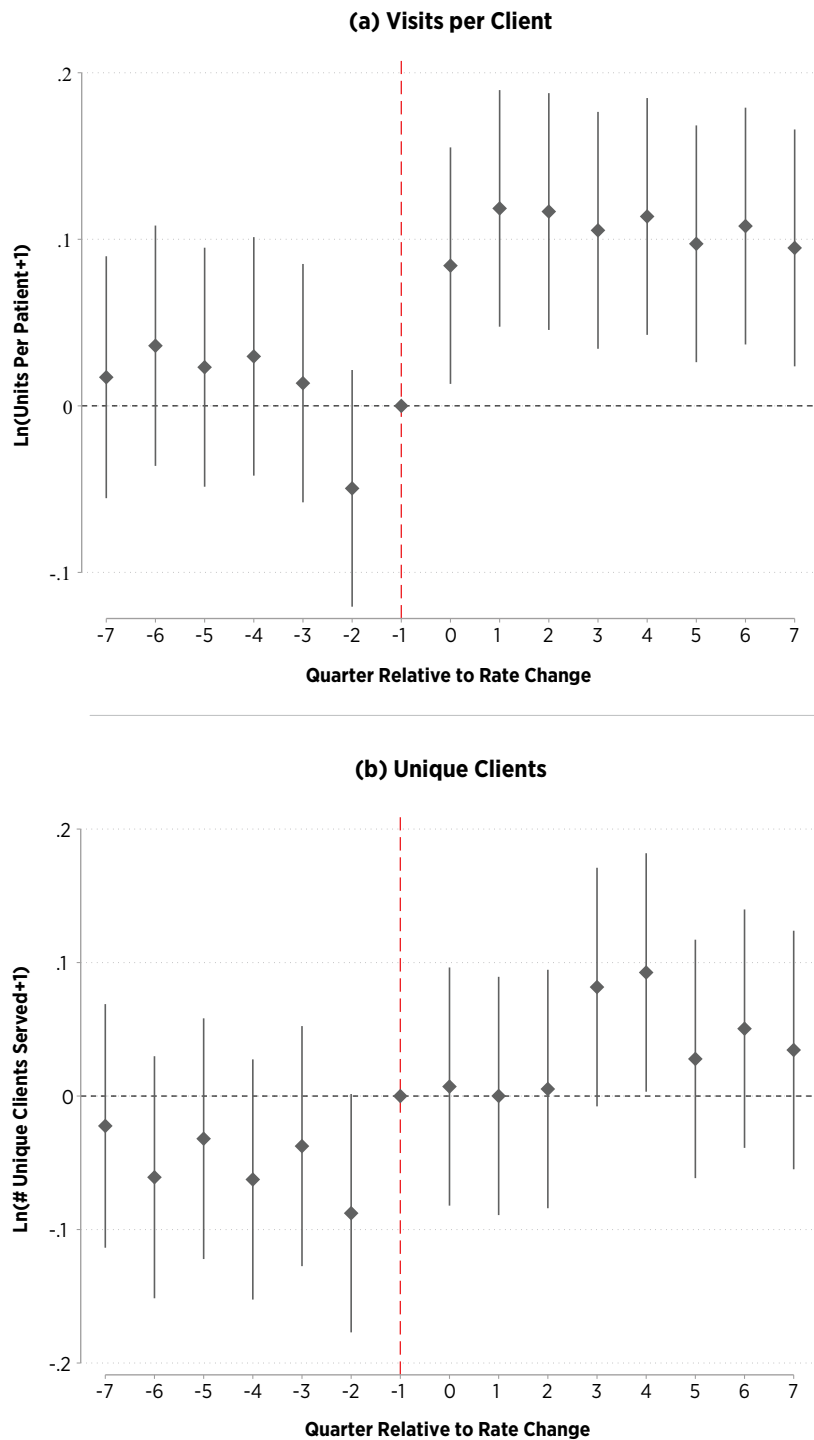


**Temporary Effects:** The study observed that the impact of rate increases often diminished over time, typically fading within four to five years. This suggests that rate changes alone may not provide a sustained solution to improving mental health care access.

- Existing Patients Benefit Most:** Most of the increase in services came from additional visits by existing clients rather than new clients accessing care. The number of unique clients served grew at a slower pace, with rate changes having only a small impact on expanding access to new patients.

The effect of rate changes on visits per client and number of unique clients served is shown in **Figure 3** in the publication.

**FIGURE 3: Impact of Rate Changes on New Vs. Existing Clients**



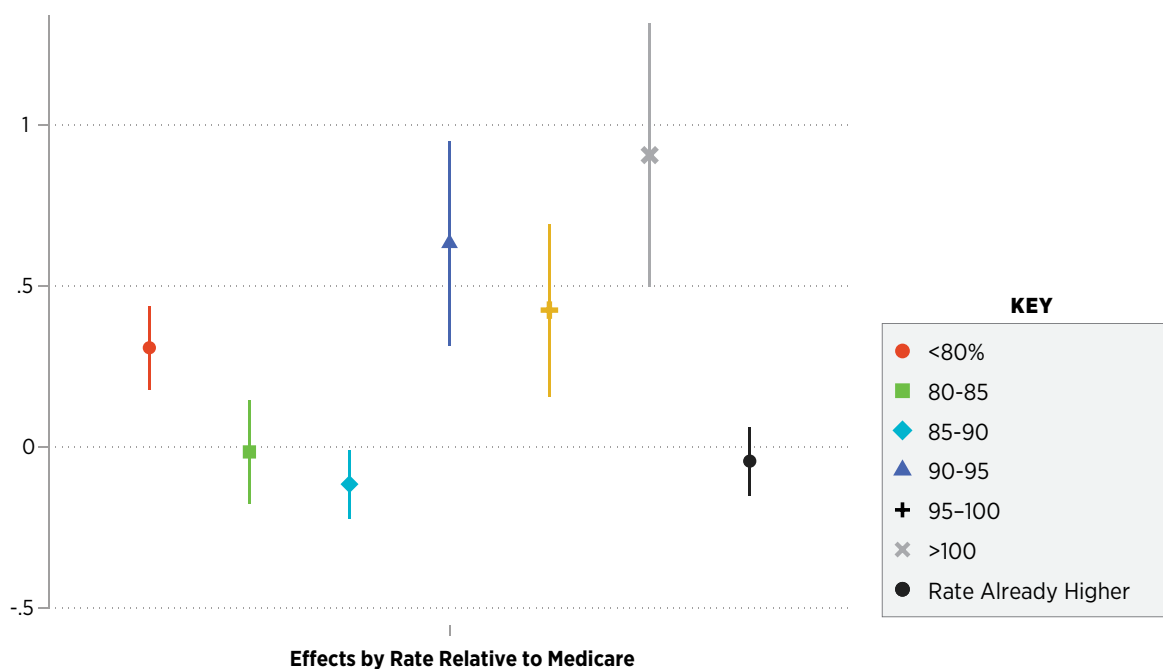
3. **Comparison with Medicare:** On average, Medicaid rates in Allegheny County were lower than Medicare rates, which makes serving Medicaid patients less financially attractive to providers. For example, a 60-minute individual therapy session was reimbursed at \$72–\$106 by Medicaid, compared to \$126 by Medicare. This is shown in **Table 2** in the publication, which displays Medicaid vs. Medicare rates for common mental health services.

SERVICES	DESCRIPTION	SHARE OF UNITS	MEDICAID		MEDICARE
			MIN	MAX	
H0004	Behavioral Health Counseling (15 min)	38%	\$24.00	\$24.00	
90853-HE	Group Psychotherapy	20%	\$8.90	\$10.00	\$25.04
9087-HE	Individual Psychotherapy 60 min	6%	\$72.00	106.15	\$126.38
99232	Hospital Care/Day for Evaluation	5%	\$46.20	\$57.75	\$72.71
90834-HE	Individual Psychotherapy 45–50 min	5%	\$72.00	\$75.00	\$84.90
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90834-HP	Individual Psychotherapy 45–50 min	0.3%	\$86.00	\$89.00	\$84.90

*Note: Table 3 represents the 2019 rates associated with the most common five service codes in our data, and their corresponding Medicare rates. Behavioral Health Counseling (15 min) refers to codes H0004-HB, H0004-HN, and H0004-HR. Medicare does not allow billing for this code (in 15 minute increments). Data on Medicare rates come from the Center for Medicaid and Medicare Services. We used the facility price for the region of Pennsylvania (outside of Philadelphia). The Medicaid rate is the maximum rate observed in our data, while the Medicare rate is constant for all providers.*

**Figure 4** from the paper depicts the service supply response across different Medicaid rate levels relative to Medicare. Supply responses are most pronounced when Medicaid rates are 90–100+% (post-change rates) of Medicare rates, with minimal changes when rates remain substantially lower. This suggests that providers view Medicare and Medicaid patients as potential substitutes and that rate changes below 90% of Medicare rates fail to meaningfully incentivize increased service provision.

**FIGURE 4: Heterogeneity by Rate Relative to Medicare**



## IMPLICATIONS FOR POLICY

- **Increased Rates Alone May Not Be Sufficient:** Whereas raising Medicaid reimbursement rates can modestly increase service availability, the limited elasticity indicates that other structural challenges—such as workforce shortages and facility capacity—also need to be addressed.
- **Aligning Medicaid and Medicare Rates:** Bringing Medicaid reimbursement rates closer to Medicare levels could make Medicaid patients more attractive to providers, potentially expanding service capacity. 93% of Medicaid rates are currently below Medicare rates for mental health services in the county, making it costly to raise rates. However, focusing on the 15% of Medicaid rates that are already close to Medicare rates (within 90–100%) would be a practical starting point.

## CONCLUSION

This study provides insights into how Medicaid reimbursement rates influence mental health service delivery. While rate increases can encourage providers to offer more services, the effects are modest and primarily benefit existing clients. A comprehensive approach—combining rate adjustments with strategies to address provider capacity and workforce challenges—is essential to improving mental health care access for Medicaid patients in Allegheny County and beyond.