Comments on Zhang, "[Strategies Used by Managed Behavioral Health Organizations to Reduce Hospital Care]" A Literature Review Submitted to the Myers-JDC-Brookdale/Brandeis Collaboration on Mental Health

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The writing below is at most a modest contribution to the puzzle created by the two literature reviews, which were prepared by our colleagues from Brandeis University. Hopefully, this writing will help explore the 'bigger picture' and provide policy makers with empirical knowledge that can assist them in making better decisions.

My writing will shortly focus on the economic, or as some may say the financial, incentives influencing decisions making. When I approached this analytic riddle, I started by looking into prices and visible or potential behavior. This is in order to map the relations leading to a cost-benefit key for decision making. The analysis is based on experience gathered in Israel, and includes a short discussion of the changes in the economic environment and the embedded financial incentives, as derived of the mental health reform, which started from the 1st of July 2015.

Changes in the regulatory and economic environment, aka the Israeli mental health reform, were conducted around the main principal of transferring insurance liability from the state (the Ministry of Health) to the HMOs which insure most, if not almost all, of the medical needs of Israel's citizens. Since the Israeli HMOs are known for world-class medical services provision at the community level, the assumption that the same service quality will be delivered regarding mental health services is not unreasonable. Saying that, one may look for financial and economic incentives that will encourage the development of this community based medical services. If I may, I would like to suggest that there is a strong financial incentive for developing community-focused mental health services. This incentive is derived from quick look at the recurrent hospitalization costs that could be saved.

A quick study of relevant data sets reveals a few facts to which every policy maker should pay attention. The first is that, in general, 3 out of every 4 psychiatric hospital admissions are actually re-admissions. Second is that 85% of all re-admissions are within a 3 year period subsequent to the previous admission. Thirdly, about 85% of all re-admissions came from the community and not from mental rehabilitation institutes. Fourth, given that the average hospitalization period is 30 days and the price for a hospitalization day is about 1,000 NIS we could argue that if the HMOs provide a bundle of first class community services[1]at a cost which is even doubled the current standard cost, it would take only a 20% reduction of hospitalization days in order to finance this

[1] A bundle would be 18 one-on-one therapy sessions and 12 group sessions.

policy. If policy makers recognize and respond to this strong financial incentive, it will allow for better care of those in need.

I hope that this short analysis shows that the economic arrangements established in the Israeli market for mental health services create strong incentives for HMOs to act towards reduction in hospitalization days and re-admissions.

The views expressed here are the personal views of the author and do not necessarily reflect the position of the organization in which the author works or of the Myers-JDC-Brookdale Institute.