

Fact Sheet

For States Interested in Using the TEFRA Option for Children with Serious Mental Disorders

TEFRA (Katie Beckett) Medicaid Option: State Policies

Families of children with serious mental or emotional disorders are often unable to obtain the specialized and intensive services their children need through their private insurance policy or by paying out-of-pocket. Medicaid provides the range of services children with disabilities require and can be a life-saving resource for these families. However, many such families have incomes too high to be covered under normal Medicaid rules.

Issue

Under federal law, states have the option to cover children with physical and mental disabilities in the community if the child would be eligible for Medicaid institutional services but can be cared for at home. This option was authorized by the Tax Equity and Financial Responsibility Act of 1982 (TEFRA); it is sometimes called the Katie Beckett option after the child whose situation inspired it.

State Option

In half the 20 states that have the TEFRA option, no children with mental or emotional disorders have qualified for the program. While federal law does not permit states to exclude qualified children based on their disability, these states' policies have effectively done just that. The states are: Connecticut, Georgia, Idaho, Massachusetts, Michigan, Nebraska, Nevada, Rhode Island, South Carolina and South Dakota.

Children Who Are Not Covered

State rules in these 10 states may be causing children with mental disorders to be inappropriately excluded under TEFRA. When states set policy for their TEFRA option they must do the following:

State Policy Issues

- clarify the definition of a medical institution that the child would need to be admitted to without the community services of TEFRA;
- define the level of care the state considers to be “normally provided” in these institutions;
- clarify how the state will decide that home care is appropriate for the child; and
- explain how the state will calculate that home care does not cost more than the alternative care in the medical institution.

In setting these policies, states can affect the degree to which children with mental disorders access the program. For example, state rules defining a medical institution and the level of care a child needs in order to be at risk of placement in such an institution can be problematic for children with mental and emotional disorders. A number of states include reference to “psychiatric hospitals” in their definition of medical institution. These states have children with mental disorders on TEFRA, while most of those that do not reference psychiatric hospitals do not. (See the box on the next page for more details on the TEFRA rules as they relate to children with mental disorders.)

Parents need information about TEFRA and assistance in applying. States where children with mental and emotional disorders qualify under TEFRA have parent booklets and other materials that reference the eligibility of children with mental and emotional disorders. Often this information is also featured on a web page. Materials need to be short and easy to read, but must include appropriate information on the option and how to apply.

Parent Information

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State TEFRA Rules Relevant for Children with Mental Disorders

None of the 10 states with the TEFRA option where no children with mental disorders qualify explicitly cite psychiatric hospitals in their definition of a medical institution. Most of the states that do include children with mental disorders refer to psychiatric hospitals in their rules.

Level-of-care criteria may also be inappropriate for children with mental disorders. For example, one state explicitly defines a hospital level of care as addressing only the needs of children with physical disabilities and another requires a child to need nursing home level of care, an inappropriate standard for a child with a mental disability.

The way states calculate the cost of home care versus the cost of institutional care may also be a barrier. The methods used by states vary widely, and in some states it is the counties that make these calculations.

In contrast, none of the states reviewed have rules that appear to exclude children with mental disorders from being considered appropriate for home care instead of institutional care. In fact, in most states children are able to qualify for TEFRA while still at home because they are found at risk of institutional placement. Accordingly, this aspect of state rules is not a barrier to including children with mental disorders.

From: *Avoiding Cruel Choices, Report of a Study on TEFRA* for the Center for Mental Health Services, Rockville, MD, Bazelon Center for Mental Health Law, Washington, D.C. 2002

Parent Information (Cont'd.)

Materials, while useful, are not sufficient to ensure that families learn of TEFRA. Families in states with the TEFRA option complain of:

- difficulty understanding how to provide the appropriate documentation of disability;
- long and complex application forms;
- significant delays before a decision is made on an application;
- requirements for re-application yearly or at other time intervals;
- denials resulting from missing information when the parent was unaware of this fact;
- difficulty finding assistance to help them complete the application.

Several states have engaged in outreach and other educational efforts to overcome these barriers, such as:

- outreach to family organizations;
- in-service training on TEFRA for community mental health program staff and training and orientation about TEFRA for Medicaid eligibility workers;
- distribution programs to provide materials to pediatrician offices, children's hospitals, county offices and other places where families may pick them up.

Some states also designate individuals to help families fill out TEFRA applications. For example, Wisconsin has regional Katie Beckett consultants.