CLIENT ALERTS & INSIGHTS

2024 Outlook: Behavioral Health Trends

JANUARY 16, 2024

Authors: Cassie Gawron Sikorski, Alan E. Schabes, Abraham (Avi) Spira

Behavioral Health Workforce Crisis Amid Surging Demand

Healthcare systems are facing significant challenges in recruiting and retaining talent within the burgeoning field of behavioral health services, primarily due to competition from telehealth providers and inconsistent reimbursement policies. The country is faced with a shortage of clinical providers, largely because many are approaching retirement age, while the demand for mental health services continues to surge. In response to these issues, healthcare systems are implementing several strategies. They are creating pipelines for behavioral health specialists by offering training programs and promoting careers in the field at educational institutions. Financial incentives, such as student loan repayment programs, are being used to attract and retain talent, while increased pay and work-from-home options are being offered to make roles more appealing. Efforts are also underway to expand the credentialed workforce by employing non-clinical mental health professionals and community health workers.

Advocacy for higher reimbursement rates for behavioral health services is ongoing, and some states have already implemented increased rates. Recognizing the growing demand for behavioral health services since the COVID-19 pandemic, stakeholders are also addressing disparities in access to treatment. Policy initiatives, such as screening recommendations and online prescribing regulations, may impact the future of the behavioral health economy. Lastly, the analysis of prescription trends for mental health conditions, including increased diagnoses among young patients, is being conducted, with potential implications for the healthcare system's future. Overall, healthcare organizations are working diligently to address the workforce shortage and meet the rising demand in behavioral health services through a range of strategies and policy initiatives.

Healthcare systems are grappling not only with the broader challenges in behavioral health services but also with a specific shortage in autism care. The shortage of licensed Board Certified Behavior Analysts (BCBAs) to supervise technicians is a significant issue in the field of Applied Behavior Analysis (ABA). The demand for ABA services for individuals with autism spectrum disorders is growing rapidly, creating a critical need for qualified professionals. However, the shortage of BCBAs has left many individuals and families without access to essential ABA therapy. This scarcity of licensed professionals has led to concerns about the quality and availability of care for those in need. Healthcare organizations are now faced with the dual challenge of addressing the overall behavioral health workforce shortage while also focusing on the specialized needs of the autism care sector.

AI-Powered Mental Health Tools and Digital Therapeutics Will Become More Sophisticated and Widely Adopted

The mental health industry is undergoing significant changes in response to the rapid expansion of the market since the COVID-19 pandemic and the growing demand for behavioral health services. Providers are now exploring innovative approaches, including the use of AI-enabled tools, to enhance traditional mental health treatment methods. The rising workload for clinicians and insufficient appointment availability for patients are driving the need for course corrections in the industry. Experts predict that technology advancements will continue to reshape patient-provider interactions and care delivery. Collaborative efforts between the public and private sectors are expected to expand mental health initiatives, and there may be more consolidations between mental health and well-being companies to offer comprehensive solutions. In 2024, companies will likely explore new business models, such as strategic partnerships, and prioritize expanding access, particularly in underserved rural areas. Technology-enabled care, including virtual and automated options, will be crucial in meeting the growing demand for mental health support. Additionally, efforts to measure the quality of care and the use of novel treatments, like psychedelics, are expected to advance the field. Payers are also expected to focus on payment integrity programs, seeking sustainable margins and operational excellence. The integration of AI into behavioral health services is becoming increasingly common, helping to identify urgent mental health issues and provide support while also raising ethical and data privacy concerns.

Reimbursement and Payor Issues Continue

The Centers for Medicare & Medicaid Services (CMS) issued the Calendar Year (CY) 2024 Medicare Physician Fee Schedule (MPFS) with key provisions affecting Applied Behavior Analysis (ABA) services. CMS extended carrier pricing for ABA services through 2024, meaning that providers will continue to negotiate reimbursement rates with payers. Additionally, the rule discusses the approval of certain CPT codes for telehealth delivery of behavioral health services, but CMS is cautious about creating confusion and notes limitations on expanding telehealth practitioners. The final rule went into effect January 1, 2024.

Furthermore, there's a growing interest in outcomes-based reimbursement in the healthcare industry, which could impact ABA providers. This payment model rewards positive outcomes but also presents financial risks. A major challenge is measuring outcomes' quality due to the varying symptoms and progress rates among individuals with autism spectrum diagnoses (ASD). ABA providers can prepare for outcomes-based reimbursement by standardizing quality and outcome measures and understanding the necessary data to demonstrate quality.

In the behavioral health field, reimbursement and payor issues persist, including inadequate reimbursement rates, inconsistent policies, limited telehealth coverage, complex billing, credentialing challenges, prior authorization requirements, and disparities in coverage for specific services and populations. Government policy changes can also affect reimbursement rates and eligibility criteria. These issues affect the accessibility, affordability, and quality of behavioral health care, necessitating ongoing advocacy and reform efforts.

Expect Increasing Platform Exits in Autism

The annual tally of investment deals in the autism sector saw a steady rise from 2013 to 2017. However, in 2018, these deals, predominantly supported by private equity firms, surged to 37, and the following year, they further increased to 46, based on exclusive data from The Braff Group. Consequently, there is now a substantial group of autism companies backed by private equity seeking their next strategic move, which could involve exit strategies, sales, recapitalization, or additional acquisitions to sustain their growth. Assuming a conventional five-year holding period, the behavioral health sector may anticipate a rise in platform deal exits.

Behavioral Healthcare Moving Into the Home

As patient care increasingly shifts to home-based settings, some home health providers are expanding their services to tap into the growing $80 billion behavioral health sector. Companies are now offering in-home treatment and support for various mental health conditions, ranging from mild anxiety and depression to more serious disorders like schizophrenia, bipolar disorder, substance abuse, and autism. This growth is driven by increased diagnoses of mental illnesses, with the Centers for Disease Control and Prevention estimating that 1 in 5 adults has a behavioral health condition. COVID-19 also led to a surge in Americans seeking treatment for depression and anxiety, and telehealth made behavioral healthcare more accessible.

Home health firms are benefiting from a recent Centers for Medicare and Medicaid Services (CMS) requirement that mandates screening for depression and cognition deficits during patient assessments. Some providers have offered in-home mental health therapy for a decade. Competitors are emerging because addressing patients' mental health can lead to better overall health and potentially reduce hospital admissions, making home-based treatment an attractive option for health insurers, especially Medicare Advantage organizations.

Dallas-based Elara Caring, for instance, started offering behavioral health services to Medicare patients in multiple states, with social workers, nurses, and psychiatric nurses providing virtual and in-home counseling. Home health providers like Bayada Home Health Care are targeting niche segments such as home-based treatment for autism. Innovive Health is focusing on low-income Medicaid patients with chronic health conditions and severe mental illness.

Bringing mental health services into the home can be particularly beneficial in rural communities where facility-based behavioral health providers are often located far away. Angels Care Home Health is delivering in-home behavioral health counseling and treatment to patients in rural areas across nine states. The expansion of telehealth ABA (Applied Behavioral Analysis) therapy options is also changing the landscape of autism treatment, offering families different options for delivering therapy depending on their goals and preferences.

Increasing Focus on Pediatric Behavioral Health

Booming pediatric mental health needs are driving trends like early intervention, school-based services, and telehealth adoption. We expect that 2024 will bring increased funding, a strengthened workforce, tech-driven solutions, and a focus on prevention. However, stigma, access disparities, and medical integration remain challenges to overcome in fostering a future where every child receives the mental health support they deserve.

Regulatory Challenges and Priorities

In 2024, the behavioral health industry anticipates that parity will be a significant regulatory issue, largely driven by the Biden administration's forthcoming final rule. However, several other regulatory matters need attention, including the SUPPORT Act, Part 2, and the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA), which will continue to be relevant. Telehealth and controlled substance regulations, particularly their impact on addiction treatment and psychiatric care access, remain important. Electronic health record (EHR) implementation and regulation are also crucial for the industry, affecting healthcare operators, especially behavioral health providers. The SUPPORT Act, designed to address the opioid epidemic, lapsed in September 2023, and its reauthorization faces hurdles in Congress. The behavioral health industry is awaiting the final parity rule, which aims to improve the enforcement of coverage parity rules, focusing on non-quantitative treatment limitations. The digital divide in behavioral health, including EHR adoption and data sharing in addiction treatment, remains an issue. The Drug Enforcement Administration (DEA) will release a final rule on prescribing controlled substances via telehealth, which will impact addiction treatment. Lastly, digital marketing standards and data tracking in healthcare are evolving rapidly, with implications for providers and tech companies alike.

REITS Continue to See Increasing Opportunities in Behavioral Health

Behavioral health is a booming area of interest for REITs, driven by rising demand, favorable reimbursement changes, and investment opportunities in SNFs, outpatient facilities, and specialty housing. Expect continued investment, consolidation, and tech integration, alongside challenges like stigma, regulations, and workforce needs.